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FINANCIAL TIMES

WEDNESDAY AUGUST 25 1993

Bundesbank cut in key discount rate expected

The Bundesbank will cut its leading lending rate this week, chief economists at all of Germany's 12 biggest banks have predicted, even though conditions in the economy have not improved since the central bank's last meeting at the end of July.

Nine of the dozen questioned in a poll, which closed last Friday, said they expected a half-point cut in the key discount rate, currently 6.75 per cent. Page 2

China takes outside advice on economy: Zhu Rongji, China's vice-premier in charge of the economy, acted to slow the country's rapid economic growth after recommendations from international advisers. Page 12; China and Vietnam open talks, Page 3; Editorial Comment, Page 11

Bosnia peace map attacked: Bosnia's foreign minister Haris Silajdzic denounced the map put forward last week at the Geneva peace talks for "rewarding the aggressor, and punishing the victim". Page 12; Genocide claim, Page 2

EC reform agenda: Plans for radical reforms of the main European Community institutions, including new rules for majority voting in the council of ministers, have been drawn up in Germany. Page 12; Difficult birth pangs, Page 11

Wallenberg kidnap plot alleged: Three Russians and a Swede, armed with pistols and a hand grenade, were seized by police on suspicion of planning to kidnap industrialist Peter Wallenberg, left, from his mansion on the island of Varmö, near Stockholm, and hold him to ransom. Page 2

Strong yen hits Honda: The rapid appreciation of the yen and weak demand in leading markets depressed first-quarter results at Honda, the Japanese carmaker, with pre-tax profits falling to ¥15.3bn (\$146m), less than half their previous level. Page 13; Nissan likely to cut UK output target, Page 6

Mars probe hopes fade: Hopes of salvaging the \$950m Mars Observer mission dwindled as US space scientists failed to re-establish radio contact with the spacecraft, which seems destined to head on into space. Page 4

Deere: Earnings at the US agricultural equipment manufacturer surged to \$100.1m in the third quarter amid signs that confidence is returning in the North American agricultural economy in spite of record rains in the Midwest and drought in the south-east. Page 13

Svenska Handelsbanken announced plans to raise nearly SKr2.7bn (\$333m) from shareholders after a strong recovery in first-half operating profits. The Swedish bank wants to be able to meet increased loan demand as the Nordic economies recover. Page 13

Gatt pledges: Klaus Kinkel, German foreign minister, and his French counterpart, Alain Juppé, expressed their joint determination to reach a rapid settlement of the Uruguay Round of talks on world trade. Page 4

Telekom sell-off sought: The chairman of Deutsche Telekom, Germany's state-owned telecommunications group, pleaded for urgent political support for early privatisation of the company. Page 2

Angola war deaths warning: The UN special envoy to Angola, in Zimbabwe to revive peace talks, said 1,000 people were dying each day directly or indirectly because of the war.

UN's clean-up chief: The United Nations appointed Mohamed Ali Niaz as senior investigator to examine persistent charges of fraud, waste and corruption in the organisation. Page 4

Babangida poised to go: Nigeria's military rulers completed plans for an interim government to end the country's severe political crisis after aides said Ibrahim Babangida would relinquish power tomorrow.

U-boat salvage hold-up: Difficulties in lifting a German U-boat raised after a successful salvage operation in Danish waters on to a barge have delayed the opening of the vessel.

Michael Jackson inquiries: Police have searched singer Michael Jackson's home in a criminal investigation believed to arise out of allegations of child abuse.

STOCK MARKET INDICES			
FT-SE 100	3049.3	(+7.3)	
Yield	3.76		
FT-SE Euroshare 100	1296.82	(+4.89)	
FT-Air Share	1514.44	(+0.25)	
Nikkei	20,431.84	(+177.70)	
New York Composite	2822.19	(+16.21)	
S&P Composite	457.13	(+1.80)	
US LUNCHTIME RATES			
3-mo Treasury bill	2.11%		
3-mo Treasury note	3.85%		
Long bond	10.01%		
Yield	5.22%		
LONDON MONEY			
3-mo interbank	5.75%	(same)	
12-mo interbank	5.75%	(same)	
12-mo bill	5.75%	(same)	
NORTH SEA OIL (August)			
Brent 15-day Oct	\$17.24	(17.00)	
Oil	\$17.24	(17.00)	
GOLD			
New York Comex Dec	\$374.9	(372.9)	
London	\$373.45	(374.0)	

IBM plan to clone microchip threatens legal row

By Louise Kehoe in San Francisco

A LEGAL battle is brewing in the US after a decision by International Business Machines to clone a version of Intel's top-selling microprocessor chip.

As well as a legal fall-out between two of the world's leading computer and microprocessor companies, IBM's move threatens one of the industry's longest-lasting technology partnerships.

IBM, normally a conservative company, has become increasingly aggressive in its efforts to restore profitability since the arrival of Mr Lou Gerstner, its new chairman and chief executive, in April.

Intel has become the world's largest semiconductor manufacturer largely as a result of the success of its microprocessors, which were chosen by IBM as the brains of its first PCs over a decade ago. Since then the Intel

chips have become the standard for all "IBM-compatible" PCs. Yet while Intel has earned record profits from its microprocessors, IBM's PC business operated for several years at a loss and only recently achieved a "very small" quarterly profit.

For IBM, cloning the Intel chips seems to represent an attempt to take control of its own destiny and boost the profitability of its PC business. IBM declined to comment on

its decision. However, the company is believed to have efforts under way to produce "clean room" versions of Intel's 486 and new high-performance Pentium microprocessors.

The "clean room" approach, which has been used by other chip companies to produce Intel microprocessor "work-alikes", involves isolating designers from any access to Intel technology so that they must start from scratch to create a chip that simulates

the functions of the original. Yet Intel has raised legal challenges to all other efforts to clone its microprocessors. Mr Tom Dunlap, Intel general counsel, has said in the past that he does not believe that it is possible for any company legally to clone Intel's chips.

The IBM cloning effort is believed to be in its early stages, and industry analysts point out that it is not certain to lead to the release of products.

However, if IBM pursues the project it runs the risk of a legal challenge from Intel, one of its most important chip suppliers. IBM is also Intel's largest customer. This partnership has given IBM unprecedented access to Intel's technology. IBM is licensed by Intel to produce Intel-designed microprocessors. However, the terms of the licensing arrangement restrict IBM to selling these chips only as components of PCs or circuit boards.

Mercedes to cut 14,000 more jobs next year

Bus and trucks divisions face forced redundancies

By Christopher Parkes in Frankfurt

MERCEDES-BENZ, the luxury car and commercial vehicles maker, aims to cut more than DM1bn (\$594m) from its labour costs by shedding a further 14,000 jobs in Germany next year and reducing employee benefits.

The company, which opened talks on the cuts package with workers' representatives yesterday, suggested further steps could be needed, and warned that forced redundancies in administration and the bus and trucks divisions might be unavoidable. Company-paid benefits for the remaining workforce would in future focus on health and pension contributions, it said in a statement. Traditional Christmas and other bonuses would be linked to group performance, and other payments "out of keeping with the times" would no longer be paid.

The proposed workforce cuts follow a reduction of 14,700 in the domestic payroll in 1992 and the planned loss of a further 7,000 jobs this year.

The threat of possible redundancies, virtually unknown in German industry, suggests that traditional means of cutting jobs - early retirement and natural wastage - are no longer sufficient. The proposed cuts in benefits, which follow similar savings tactics pioneered recently by Bosch, the leading motor components maker, demonstrate growing confidence that industry can attack time-honoured perks.

It is common for German paint-shop workers, for example, to be

granted extra paid leave to take annual "cures" in spa towns, even though working conditions and health protection have improved dramatically since such schemes were introduced. In common with other German vehicle makers, Mercedes has discovered that medium-term savings plans put forward last year are insufficient to counter the impact of the motor industry slump.

Springtime forecasts that the German market would shrink by 20 per cent and overall European sales by 10 per cent have been proved over-optimistic. While total car sales in western Europe fell 18 per cent in the first seven months of this year - due partly to a 25 per cent drop in Germany - deliveries of Mercedes models tumbled by more than 27 per cent.

According to VDA figures, first-half production of light trucks in Germany factories fell 34 per cent, while output of other commercial vehicles dropped 36 per cent. Achim Dickmann, director of Germany's VDA automotive industry association, said recently that 100,000 jobs would have to go by the middle of 1995. Volkswagen, Europe's leading volume carmaker, which is struggling to return to profit, is currently negotiating 3,000 further job cuts in its domestic factories. Yesterday's news from Mercedes, the main source of profits for its parent Daimler-Benz, suggests the group management is struggling to meet its target of a DM1bn profit this year.

Nissan warning, Page 6
Honda profits fall, Page 14

ABB restructures board to strengthen competitiveness

By Ian Rodger in Zurich

ABB Asea Brown Boveri, the world's largest power engineering group, is restructuring its executive board to strengthen its competitiveness in bids for complex turnkey projects.

The decision will also help the group adapt to the emergence of large regional trading blocks. The board's membership is being cut from 12 to eight, and the group's six operating divisions reduced to four. Three directors will have regional responsibilities for the Americas, Europe and Asia.

Mr Percy Barnevik, the ABB chief executive, said that large plant projects account for about a quarter of the group's \$32bn annual turnover, and the growth potential was considerable.

The creation of regional directors reflected the emergence of increasing trade within the important blocks and less trading between them. Mr Barnevik found the trend regrettable, but said "if you want to be a global player, you have to have a major presence in each".

Mr Alexis Fries, the new regional director for Asia, will be based in Hong Kong, Mr Gerhard Schulmeyer, the director for the Americas, in Stamford, Connecticut, and Mr Eberhard von Koerber, the European director, at group headquarters in Zurich.

Until now, the group has had executive directors with responsibility for Sweden, Switzerland and Germany, where its main plants are located. Mr Barnevik said these directors sometimes defended parochial interests.

That was no longer appropriate.

He said the reorganisation was only partially related to the announcement last week of an acceleration of plant closure plans. The group is making a \$500m provision against this year's earnings to cover closure costs.

Mr Barnevik said the creation of the North American Free Trade Area had contributed to the restructuring. It also enabled the group to accelerate plant rationalisations between Canada and the US. The easing of trade restrictions within Europe had had similar repercussions.

Some 15 plants would be closed in Europe and North America in the next few months, he added.

ABB managers strip for action, Page 14



Hisham Al-Shawi (left) and Hamad Al-Jubouri tell a London press conference yesterday of the Iraqi regime's 'continuous terror campaign'

Iraqi diplomats quit and flee to UK

By Rachel Johnson in London and Mark Nicholson in Cairo

TWO senior Iraqi ambassadors yesterday inflicted a propaganda blow against President Saddam Hussein by resigning their posts and joining the Iraqi National Congress, the umbrella opposition group.

The two explained in highly critical and emotional statements that they had fled to the UK because of the "continuous terror campaign" of the Iraqi regime.

Mr Hisham Ibrahim Al-Shawi, a former ambassador to Britain and until yesterday ambassador to Canada, and Mr Hamad Alwan Al-Jubouri, until last week ambassador to Tunisia, said they wanted to live in England with their families, despite possible reprisals after their public condemnation of the Iraqi government.

The Home Office said it had granted the two visitors visas for a six-month stay rather than political asylum, but it would comment no further.

Mr Al-Shawi, 62, said the Iraqi regime had "no other objective but the maintenance of its tyrannical power, notwithstanding defeat, disgrace and total ruin".

Mr Al-Jubouri, 61, accused the regime of dragging the country

into two destructive wars. "In recent times, in what seemed like a frightening nightmare, it destroyed a once strong and prosperous country, leaving it morally and financially bankrupt," he said.

Iraqi analysts suggested that the defections indicated a "peripheral" weakening of Saddam Hussein's regime and another sign of the harsh effects of the sustained economic embargo against Baghdad.

According to one British official, the defections show that "Saddam is on a pinnacle of power, and parts of that pinnacle are starting to erode - but so far it's only an indication of weakness".

Most analysts regard the pair, though distinguished and long-serving, as already out of Baghdad's inner circle. Neither had been in Iraq for several years and would not have been privy to the inner workings of the regime nor sensitive military information.

Their actions underlined disaffection within what remained of the diplomatic corps given severe cuts in pay and perks for overseas officers as a consequence of Iraq's shortage of hard currency.

But the defections will be regarded as a significant coup by the INC, the chief umbrella opposition group, which was created last year to unite the main Kurdish and exiled Shia opposition groups and to oust Saddam.

Mr Al-Shawi said he had placed \$30,700 of the Ottawa Embassy's operational expenses that "rightly belongs to the Iraqi people" in a secure trust until after the downfall of the dictator.

Both diplomats refused to be drawn on the two issues that most concern Middle East analysts - Saddam's rearmament programme in defiance of United Nations sanctions after the Gulf war and the strength of anti-Saddam opposition within Iraq.

They refused to say whether they had agreed to be interrogated by MI6 or whether other senior members of Saddam's regime would follow them into the opposition.

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IFAT

NEWS: EUROPE

Bundesbank discount rate cut expected

By Christopher Parkes
in Frankfurt

THE chief economists at Germany's 12 biggest banks all expect the Bundesbank to cut its leading lending rate this week, even though conditions have failed to improve since the central bank's last meeting at the end of July.

Nine of the dozen questioned in a poll, which closed last Friday, said they expected a reduction of half a percentage point in the key discount rate, currently at 6.75 per cent.

However, inflation is still stuck above 4 per cent, according to the latest indications, while money supply growth seems likely to remain well above the central bank's target range for some months yet.

The cost-of-living index in Baden-Württemberg edged up 0.1 per cent in the month to mid-August, state officials reported yesterday, bringing the year-on-year increase to 4.3 per cent, compared with 4.2 per cent in July.

New money supply figures are not expected this week, but the effects of heavy buying of weak currencies in the European exchange rate mechanism - before the widening of fluctuation bands three weeks ago - are expected to drive the annualised growth rate in the M3 measure above July's 7.5 per cent.

The bank's target range for

this year allows for growth between 4.5 per cent and 6.5 per cent.

Mr Hans Tietmeyer, Bundesbank president-elect, dropped mild hints last weekend when he said small rate cuts were possible provided the trend in the money stock permitted them and inflation declined slightly in the near future.

Observers suggested the bank could justify a drop in the discount rate tomorrow if it filtered out the distorting effects of money market interventions on M3. The policy council has also recently shown itself to be more interested in short-term inflation trends than in the conventional figures.

According to informal analyses, the annualised rate for the past three months could be as low as 3 per cent in August compared with 3.4 per cent in July.

However, non-German economists suggested a rate cut this week was unlikely because fundamental conditions had not changed in the past month, and that international pressure had eased greatly since the widening of ERM fluctuation bands.

The Bundesbank's announcement yesterday of a fixed-rate offering of securities repurchase agreements at an unchanged 6.50 per cent gave no clues to its intentions for Thursday, analysts said.

Telekom urges more MPs to support sell-off

By Ariane Genillard in Bonn

MR HELMUT RICKER, the chairman of Deutsche Telekom, Germany's state-owned telecommunications group, yesterday pleaded for urgent political support for early privatisation of the company.

"There is not much time left... [before] the emergence of fully liberalised markets and ever stiffer competition," Mr Ricker said, referring to the European Commission's decision to liberalise basic voice telephony markets in Europe by 1998.

Mr Ricker told a news conference that Deutsche Telekom faced an uphill struggle trying to increase its competitiveness because of its status as a public company.

It is legally required to transfer the bulk of its profits to the state budget each year and to cover the ever-growing deficits of the German post and postal bank.

"We have made enormous progress toward increasing our competitiveness," he said. "However, we are not able, on our own, to implement all the measures that have now become urgently required... It is therefore imperative that public policy lead to a joint-stock corporation which can trade its shares on the stock market."

MPs will debate this autumn a controversial privatisation bill which emerged after two years of wrangling between Germany's political parties. The bill has won the support of

the leadership of the opposition Social Democrats (SPD). But it still needs backing from ordinary SPD MPs.

If adopted, the bill would allow Deutsche Telekom to sell a first tranche of shares on the stock exchange by 1996 or 1997. It would also be able to keep its profits.

Mr Ricker said the first tranche of shares would amount to DM15bn (£5.8bn). He also warned that Deutsche Telekom could not continue to subsidise the postal system at the same time as rebuilding the telecommunications infrastructure in eastern Germany and preparing for increased competition.

Revenues for 1993 are expected to reach DM58bn from DM54bn in 1992. Last year the company had to transfer DM6.5bn of its DM7bn profit to the federal and postal budgets. "The political decision-making bodies must ensure that our enterprise can continue at an accelerated pace on the course it is steering with a view to 1998," Mr Ricker said. "We are now dependent on new conditions being established so that we will be able to operate with the greatest entrepreneurial freedom."

amount to DM15bn (£5.8bn). He also warned that Deutsche Telekom could not continue to subsidise the postal system at the same time as rebuilding the telecommunications infrastructure in eastern Germany and preparing for increased competition.

Russia 'too kind' to Lithuania

By Leyla Bouillon in Moscow

RUSSIA said yesterday it had been "too kind" towards Lithuania in agreeing a troop withdrawal timetable before signing a formal treaty on the pull-out.

Mr Vitaly Churkin, deputy foreign minister, said Russia had decided not to meet an August 31 deadline for completing the troop withdrawal after Lithuania turned up at weekend negotiations, which had been expected to conclude

the treaty, with a new demand that Russia make amends for five decades of Soviet rule.

"We have shown perhaps excessive kindness to Lithuania for which we are perhaps now having to pay," he said.

Some western diplomats suggested that in demanding the new concessions, Lithuania wanted to exploit a US congressional amendment tying a speedy Russian military withdrawal from the Baltics to US aid to Russia. Although Mr Churkin did

not mention this, Russia is clearly anxious to avoid being put in a position of appearing to be under US pressure. Nor does it want to apologise for Lithuania's annexation by the Soviet Union, saying Russia was also a victim of the Soviet system of which it was the main component.

The original formal treaty stipulated that Russia would compensate Lithuania only for material damage caused in the course of the withdrawal and possibly also for damage

incurred after January 1992, when Russia declared itself the successor state to the Soviet Union.

It was also to transfer some former Soviet army equipment to Lithuania's newly-formed defence forces.

Mr Churkin said that the harshness of a statement telling Lithuania that Moscow would now pull out at a time convenient to itself was designed to discourage neighbouring Latvia and Estonia from also demanding compensation for Soviet actions. He said he believed the new demands were part of a "domestic political struggle". He pointed to the fact that the Lithuanian delegation was dominated by officials close to the radical opposition led by the republic's former leader, Mr Vytautas Landsbergis.

The aim, he said, was to present the more moderate, pro-Russian government of newly-elected President Algirdas Brazauskas as incapable of standing up to Moscow.



A wounded Bosnian woman being taken to Sarajevo airport for evacuation to Italy. Associated Press

Hague court to hear Bosnia genocide claim

By Gillian Tett

THE International Court of Justice in The Hague will consider today Bosnian accusations that Serbs have been carrying out a campaign of territorial expansion through "ethnic cleansing" and genocide.

A similar application by the Bosnians four months ago resulted in a court order to stop the genocide.

Legal officials in The Hague say a decision on the case is unlikely for several days, not least because the court will simultaneously be considering similar accusations from Serbia of genocide carried out by Muslims.

The International Court of Justice, which is made up of 15 permanent judges, plus a further two nominated by the parties involved, does not have any powers to enforce its orders, although its decisions have traditionally carried some diplomatic weight.

However, though few expect the court's ruling to have much effect on the forces on the ground, the hearing is likely to fuel a wider diplomatic debate about attempts to bring legal retribution to bear in Bosnia.

Next month the United Nations general assembly is expected to name 11 judges who will sit on the UN war crimes tribunal on former Yugoslavia.

Meanwhile, in a separate move, the International Red Cross (IRC) has called a conference in Geneva on August 30 to discuss the treatment of war victims.

The organisers claim the conference has been called to raise awareness of the Geneva conventions, with participants expected from more than 100 countries.

But ironically, the IRC's

tradition of neutrality has left it refusing to co-operate with UN investigators seeking evidence of war crimes.

The IRC insists that collaboration with a Bosnian war crimes tribunal would suit its traditional reputation of neutrality - a problem that Mr Christian Kornevall, head of communications at the IRC, sums up as a dilemma of "whether to act or speak".

In the wake of accusations earlier this year that the IRC had been slow to reveal the existence of detention camps in Bosnia, Mr Kornevall admitted that there was now a growing debate within the IRC about their policy towards the media - a development which appears to have contributed to the decision to call the conference later this month.

With other European governments increasingly reluctant to dwell too much on the issue - particularly when the west is pressing for adoption of a peace plan - there are some in the UN war crimes committee who appear to have contributed to the decision to call the conference later this month.

Although the US has already submitted extensive material on war crimes in Bosnia to the UN, Britain has come under attack for its apparent delays in providing evidence.

However, the Foreign Office yesterday denied that Britain was reluctant to co-operate fully and said the delays had been due to its insistence that all material should be thoroughly verified.

"This is a very complicated process. Apart from the Nuremberg trials, which were really a very different thing, there has never been a case like this before," a spokesman said.

Croats urged to let in aid

GERMANY and France sought yesterday to demonstrate a common approach to the war in former Yugoslavia, issuing a joint appeal to Mr Franjo Tudjman, the president of Croatia, to enable emergency relief to get through to Bosnian Muslims in Mostar, Our Foreign Staff reports.

Foreign ministers Mr Klaus Kinkel of Germany and Mr Alain Juppé of France, speaking after a day of talks in Dresden, said they would also urge Mr Tudjman to ensure that Croat forces held back in the Krajina region of Bosnia.

"At the least, the delivery of

humanitarian aid must be facilitated by the Croat side," Mr Juppé said.

He said the two countries would approach Mr Tudjman through diplomatic channels, adding: "I think a joint demarche by France and Germany could have influence."

Mr Kinkel said the two countries, whose approaches to former Yugoslavia have diverged because Paris has troops there while Germany's laws bar it from sending soldiers, would co-ordinate their policies more closely.

Both countries supported the efforts of the United Nations to

find a negotiated peace in Bosnia and urged the three warring parties to co-operate with UN officials.

Washington has also continued to raise the tone of its warnings to the Croats. Last week the State Department said economic sanctions against Croatia were under consideration, but not military action. This week, however, US officials have said that a warning of possible air strikes issued by Nato applied not only to the Serbs but also to other groups preventing the delivery of humanitarian relief.

Gatt pledge, Page 4

OBITUARY: JOHN WALKER

FT's pioneer in Sweden

By Hilary Barnes
in Copenhagen

JOHN WALKER, who was the Financial Times correspondent in Stockholm from 1963 to 1974 and continued to contribute to the paper for another eight years, died in Stockholm on August 11, aged 72.

He had three great enthusiasms in life: the Financial Times, vintage cars, and fishing. In London, where he was a freelance journalist and worked in public relations before joining the FT, he was the proud owner of a vintage

Bentley, which, however, did not follow him to Stockholm.

He joined the paper at a time when its foreign coverage was expanding rapidly and he pioneered the development of the extensive coverage of Swedish - and Nordic - business on which his successors in Stockholm have built.

He used to say that it was his love of fishing which led to his job with the FT. It was an enthusiasm he shared with the editor of the paper at the time, Sir Gordon Newton, who recruited him. Sweden, with its many fast-flowing rivers and the Stockholm archipelago

at his doorstep, was an ideal posting for him.

He was forced into partial retirement in 1974 by the onset of Parkinson's disease, but he continued to work part-time and to file to the paper until 1982.

John Walker was born in Sandgate, Kent, on November 11, 1920, went to school in Dover and served as an officer in the Royal Air Force during the second world war.

He was nursed through his long illness by his Swedish wife, Ann, who survives him. He has a son, Peter, by his first marriage.

Fewer Norwegians want to join EC

By Karen Fosell in Oslo

NORWEGIAN opposition to European Community membership has risen in the run-up to next month's parliamentary elections, a Gallup poll published yesterday shows. Some 47.1 per cent of those questioned oppose membership, up from 38.1 per cent in one week.

The poll, which surveyed 1,000 Norwegians, put support of membership at 52.9 per cent, a decline of 1.2 percentage points, while 24.6 per cent were undecided.

Norwegian membership in

the EC is the main issue in the September 13 elections. The electorate narrowly rejected joining the EC in 1972, but Brussels and Oslo began fresh negotiations last April and a new Norwegian referendum could be held in 1995.

The poll, in the Conservative newspaper Aftenposten one week after the campaign started, showed popularity of the pro-EC Conservative party down 2.5 percentage points to 29.3 per cent. The ruling Labour party, which minority governments applied for EC membership, advanced 1.2 percentage points to 32.6 per cent.

The land issue that divides a united Germany

Judy Dempsey on those who are challenging the 1990 unification treaty's rule that they cannot get their property back

ALL OVER the world there are families who can recount stories of legendary battles over land: how one son was favoured over another; how siblings refused to talk to each other after a parent's will carved up property; or how one child got nothing.

In the re-united German family, a growing controversy over whether property should be returned to its former owners is generating its own legends.

When Soviet forces occupied eastern Germany in 1945, about 14,000 families farming 13,000 sq miles were ordered to leave their properties within 48 hours. Some were imprisoned on the island labour camp of Rügen, in the Baltic Sea. Others had to keep a 20-mile distance from their properties. Most fled to western Germany, and were compensated in the 1950s.

Three years ago the unification treaty created one nation out of the two Germans. On property questions, the treaty

states that "expropriations on the basis of Occupation Law [when the Soviets occupied eastern Germany between 1945-1949] are irreversible".

This means that former property owners during this period cannot get their land back - unlike those who can seek restitution or compensation for property confiscated between 1933 and 1945, and between 1949 and 1990.

Through the federal constitutional court, several former landowners challenged the unification treaty's restrictive clauses on 1945-1949 on the basis that property was not being treated equally before the law. But the court upheld the treaty on the grounds that the Soviet Union and the former German Democratic Republic had made the ban on restitution a precondition for unification.

"This is absolute nonsense," said one constitutional lawyer. "Those who are seeking to have their property returned to them can prove that no such

Nearly one in four claims on property confiscated by the Nazis, or the Communist regime in eastern Germany, have been resolved since late 1990, writes Judy Dempsey in Berlin. However, officials from the federal office responsible for the cases yesterday said it would take a decade before all outstanding claims were settled.

The claims, which relate to property confiscated between 1933 and 1945, and between 1949

and 1990, total 1.21m, and involve 2.63m titles to property ranging from large enterprises to small businesses, land and houses. Their uncertain status is seen by economists as hindering investment in the region.

From late 1990 until the end of June 1993, 28 per cent of the claims on 130,000 enterprises, including agricultural land, were resolved, while 24 per cent of the remaining 2.52m titles were also settled.

many], was able to prevent "the Junkers", or landed gentry, from coming back," the lawyer said.

The ruling by the constitutional court, however, has not discouraged an unlikely cross-section of individuals and institutions from challenging Bonn's interpretation of the treaty. They include the Dutch government, Daimler-Benz, the Duke of Saxony-Anhalt and a German lawyer. Each claim a legal right to restitution or substantial compensation.

The Dutch government, which is acting on behalf of three families, is arguing that land owned by foreigners could

not have been nationalised or expropriated by the Soviet authorities during this time.

"Under the Allied Control Council, property owned by foreigners could not be sold or expropriated or property rights transferred," said a Dutch diplomat.

For years, Dutch government tried unsuccessfully to negotiate with the former East German regime the return of this land to its original owners. Dutch diplomats thought the matter would be quickly resolved after unification. But after two "verbal notes" to the foreign ministry in Bonn, the Dutch government has still

been unable to get the property back.

"Bonn says we have to be patient. It has to work out the legal aspects," a Dutch diplomat said. "We said OK. But a solution which does not return the property, or grant compensation, is unacceptable to us," he added.

Daimler-Benz, Germany's largest industrial holding, had huge investments and property in the former East Germany. It is now arguing that it has a right to reclaim this property.

"We will claim about 14m sq yards of land throughout eastern Germany," the company said. "We are doing it on behalf of our shareholders."

The Prince of Saxony-Anhalt, who is the great-grand nephew of Catherine the Great, is also trying to reclaim his property of more than 24,700 acres.

And Mr Albrecht Wendeburg, a lawyer who has no aristocratic, industrial, or diplomatic connections, is also trying to reclaim his small

holdings in eastern Germany.

"People have this view that those whose property was expropriated between 1945-1949, were either raving Nazis, or else they want the property back so that they can kick out the present owners," said Mr Wendeburg.

"We are trying to establish the principle of justice and truth: that property should be treated equally before the law, and that it was Bonn, not the Soviet Union, which chose to ban any restitution," he added.

Constitutional lawyers believe that Bonn may be forced to make concessions. "This problem will not go away. The belief that it was the two German governments, and not the Soviet Union, which decided on this ban on restitution is gaining momentum." Until this matter is settled once and for all, property rights in eastern Germany will never be satisfactorily resolved, and investors will always be cautious, a lawyer said.

Swedes foil plan to kidnap magnate

By Hugh Carnegie
in Stockholm

SWEDISH police said yesterday they had arrested three Russians and a Swede, armed with pistols and a hand grenade, on suspicion of planning to kidnap Mr Peter Wallenberg, senior member of the powerful Wallenberg industrial dynasty.

Police said the men were seized outside the gates of Mr Wallenberg's mansion on the forested island of Värmdö, near Stockholm, on Monday evening after they had been spotted gathered around the entrance intercom.

Officials said they believed the men intended kidnapping Mr Wallenberg, 67, to hold him for ransom. They did not get close to the industrialist. High profile Swedes, previously released about personal security, have heightened precautions since the assassination by a still unknown gunman in 1986 of former prime minister Olof Palme.

The authorities have expressed concern recently over the threat of a spill-over of crime from the former Soviet Union, particularly Russian mafia gangs.

Mr Wallenberg heads a family which founded much of Sweden's industrial base and holds large shareholdings in leading companies such as Ericsson, the telecommunications group, Astra, the pharmaceutical giant, Stora, Europe's largest forestry products company, and Saab-Scania, the vehicle and aircraft maker.

He is a relative of the wartime diplomatic hero, Raoul Wallenberg, who died in prison in Moscow in 1947. He disappeared after Soviet troops entered Budapest in January 1945 after being entrusted with a special mission to save as many Jewish lives as possible.

Crime claims anger Czechs

By Patrick Blum in Prague

A CZECH police chief yesterday denied his country had become "a breeding ground for organised crime" and said it faced the same problems as other European countries in fighting drugs trafficking, the illegal arms trade, and other crime.

Mr Josef Doucha, deputy director of the Czech central criminal police, angrily rejected press reports suggesting Prague had become a centre for international criminal groups after the collapse of Communism. They had been no "sudden eruption of crime" though the Czech capital's geographical position put it in the middle of new east-west crime routes, he told CTK, the Czech news agency.

Drug smuggling had grown because the Balkan drug route from Afghanistan and Pakistan through Turkey and the Balkans and into western Europe had been disrupted by war in the former Yugoslavia. As a result the Czech Republic had become a transit route for drugs.

The illegal arms trade was also worrying. The Czech Republic produced good weapons and there were large quantities of old Semtex explosive - manufactured before last year's requirement that it be made easily detectable - in circulation. But Czech police lacked resources and experience in fighting organised crime.

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Beijing seizes financial controls

Alexander Nicoll on the World Bank's path to cooling the economy

CHINA'S economy is, in the World Bank's terminology, "half-reformed". Its excesses have to be curbed by a delicate mix of telling people what to do - as in the old days of central planning - and indirect measures which rely more on the working of market forces.

Given the complexity of the task, it was not without reason that Mr Zhu Rongji, senior vice premier in charge of the economy, turned in June to the World Bank for advice on how to deal with the extraordinary boom which had resulted from the most recent round of market-oriented reforms.

China has long respected the bank's advice. Mr Zhu's direct request to a team of visiting economists for assistance in dealing with an overheated economy indicated its continuing influence with the Beijing government.

Before taking action to slow growth, however, he wanted to be sure that the economy was indeed overheating. The response from the World Bank was unequivocal. According to its annual study completed in June, massive growth in fixed investment was pushing up prices of raw materials at a rate of nearly 40 per cent. Real estate and securities prices were rising sharply, and excess demand was creating bottlenecks in transport and electricity.

"It is clear that the economy is now overheating, and that growth at current rates is not sustainable," the bank said. However, it believed swift action could prevent a "hard

landing" and could maintain economic growth of 8 to 9 per cent - still fast, but below the heady 13 per cent pace of 1992.

For three days in June, a team of its economists - accompanied by a few foreign economists from outside the bank - conferred with Chinese officials at Dalian in north-east China on exactly what actions should be taken to cool the economy while maintaining the pace of reform.

A central theme underlying their recommendations was for the government to seize control of the financial system and of macroeconomic management, while not choking off the development of market mechanisms.

At the heart of China's problems, in their view, was the inability of the central bank, the People's Bank of China, to exert monetary control. There was little discipline over banks' lending (none at all over non-bank financial institutions), little use of interest rates as a monetary instrument and little attention paid to flows of foreign exchange. The People's Bank was itself increasingly engaged in commercial activities.

A large proportion of the reforms suggested by the team centred around the issue of financial control.

The People's Bank, they said, should be radically restructured "to turn it into a real central bank". It should abandon all activities, such as ownership of securities companies and mutual funds, which were not the function of a central bank.

Japan yesterday announced that it had agreed to lend a total of ¥138.7bn (\$1.3bn) to China, in the year to next March, to promote its reforms and open-door policies, Reuters reports from Tokyo.

The loan is part of Japan's third package of yen-based loans to China, worth a total of ¥810bn.

The new loan will be used for 18 projects, including five new projects. It has a 30-year term, with a 10-year grace period and a 2.5 per cent annual interest rate. The loan is not linked to contracts with Japanese companies.

Three weeks after the conference at Dalian, Mr Zhu installed himself as governor of the People's Bank and began the recommended changes.

On monetary policy itself, the foreign advisers suggested an increase of at least 3 to 5 percentage points in the one-year deposit rate and an even greater increase in lending rates.

Other interest rates should also rise with the aim of pushing all above the inflation rate, which had risen to around 14 per cent by the end of the first half. The previous increase in rates, on May 15, was judged insufficient and harmful to the banking system because deposit rates were raised by more than lending rates.

On July 11, one-year deposit rates were increased from 9.12 to 10.98 per cent, and the lending rate from 9.36 to 10.98 per cent. Three-year government bond coupons went up from

12.62 to 13.98 per cent. Thus, longer-term rates have become positive relative to inflation, though not yet short-term rates.

The economists suggested that rate increases be accompanied by a rigorous tightening of bank supervision, including a reduction of liquidity through increased reserve requirements. Credit ceilings should be enforced and applied to all lending institutions, they said.

They recommended an acceleration of moves towards a unified exchange rate. The authorities have since intervened in the swap market to bolster the yuan, encouraging those who had been hoarding foreign currencies in expectation of further weakness of the yuan to buy the Chinese currency.

The gap between the official and swap market rates has therefore narrowed.

While the measures detailed so far essentially relied upon a market response which would have the effect of slowing economic growth - such as reduced and more judicious bank lending - some direct action was also called for.

The effect of official exhortations to faster growth had been to encourage local governments all over the country to pour money into property and industrial schemes. They would give preferential tax treatment to such projects by designating the construction areas as development zones.

Financed by easy lending, these schemes contributed enormously to the economic

boom, commanding huge volumes of raw materials and pushing up their prices. They also caused a loss of tax revenue, worsening an already large budget deficit.

This was a sensitive political issue because it involved wresting back to the centre some control which had been allowed to devolve to local authorities.

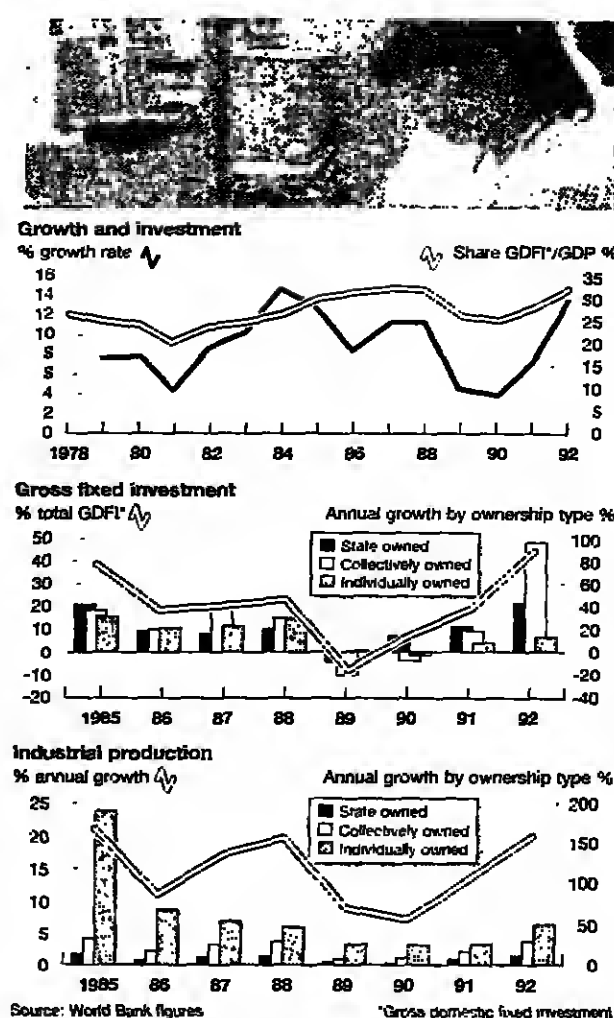
The economists at Dalian said they "recognise that there will be resistance to enforcing planning commission controls over investment at the local level". But their carefully worded conclusion was that "a key task for the central government at the present time is to achieve consensus on the need for a reduced investment rate".

The government has since closed many development zones and cracked down on wasteful or corrupt local plans. These changes represent only a small part of the World Bank's overall blueprint for Chinese economic reform. Further deregulation of prices and trade as well as re-structuring of the tax system, incomes policy, and state-owned enterprises are all recommended.

The economic boom, however, has focused the urgent attention of both China and its advisers on the financial system, an area which had so far virtually escaped reform.

Underlining its importance, the World Bank is to hold further workshops with Chinese officials next month on reforming the People's Bank and on re-structuring banks so that they are no longer involved in "policy lending" - state-di-

China's economic boom



Source: World Bank figures

believe the steps taken so far to deal with overheating are in the right direction, and they expect more. The extent to which the desired solutions depend on the market's response, however, shows how far economic reform in China has already come.

Japanese recovery 'hangs in balance'

By Gordon Grubb in Tokyo

THE BANK of Japan remained equivocal on the state of the domestic economy yesterday, proclaiming in its latest monthly review that "Japan's recession seems to be coming to an end", but adding that imminent recovery was not in sight.

The central bank's assessment was echoed by the economic planning agency, which said its index of current economic conditions was negative in June for the second successive month, up from negative in the balance, it added.

After positive scores on its so-called coincident diffusion index for the three months to April, the EPA in mid-year announced that the economy had bottomed out.

Officials have since attempted to cling to this forecast and brush off fears of a double-dip, while acknowledging that conditions are not improving.

The index reading stayed at 10.0 in June, the same level as in May and down from 65.0 in April. The index of leading indicators was 36.4, its fourth month of decline.

According to the Ministry of International Trade and Industry, industrial production in the three months to June was down 1.5 per cent from the first quarter, hit by a fall in output of consumer durables.

The Bank of Japan said its assessment of latest available data showed personal spending still weak as a result of a fall in wage-earners' bonuses and a poor summer. Fixed investment by manufacturers continued to decline despite de-stocking which had "virtually run its course".

It described export demand as firm, particularly from South-East Asia, but said imports remained stagnant except for foods, textiles and machinery.

The bank intervened in currency markets again yesterday to prop up the dollar against the yen, the recent rise of which has been hurting export profitability. The yen closed in Tokyo down ¥0.62 at ¥103.97.

Paris upbeat over Algiers PM

FRENCH Foreign Minister Alain Juppé yesterday said Algeria's new Prime Minister Redha Malek was in favour of rescheduling his country's foreign debt, and could lead the troubled North African state to crucial economic reform. Juppé's remarks came in a radio interview.

Mr Malek "was prepared to study rescheduling Algeria's debt - something his dismissed predecessor firmly opposed. This would allow Algeria to win international credits and modernise its economy," Mr Juppé said in a radio interview.

He said France was well disposed towards the new premier, a former foreign minister and ambassador to Paris, who he described as a modernist determined to reform the economy and fight Islamic fundamentalism.

"Algeria needs more economic reform and more political dialogue with democratic forces. We are prepared to help," Mr Juppé said.

Mr Malek was appointed at the weekend to replace Mr Belaid Abdesselam whose austerity policies over the past year have been denounced as a failure by political parties, trade unions and business leaders.

Some experts predict that on present trends Algeria will be unable to service its estimated \$20bn foreign debt by mid-1994.

Economic reform to create jobs for the fast-growing population is seen as the key to success against Islamic fundamentalists, who would have won a parliamentary election in January 1992 if the authorities had not halted the vote.

Before Mr Belaid's dismissal, Mr Juppé had bluntly urged Algeria to speed up economic and democratic reform to put an end to a social crisis which he called very worrying.

He yesterday said in Paris he was determined to help restore stability in Algeria and would keep firm control over fundamentalists living in France.

"The government has made it quite clear that there would be no complacency towards religious extremism whose ideas are not ours and are even hostile to us," he said.

Paris has banned two magazines published in France by groups supporting Algeria's clandestine Islamic Salvation Front.

Hongkong Bank tightens lending

By Simon Davies in Hong Kong

HONGKONG and Shanghai Bank and its subsidiary Hang Seng Bank have tightened their mortgage lending policy, following the release of government figures showing the fastest monthly growth in mortgage loans since late 1991.

However, the moves have been seen as largely cosmetic, and unlikely to hold back a property market which withstood the introduction of a 70 per cent ceiling on mortgage lending for new properties in November 1991.

The two HSBC group companies yesterday announced guidelines primarily aimed at curbing property speculation. These included an increased penalty for mortgage repayment within 12 months of a property purchase, and an end to loans against properties more than six months before they are ready for occupation.

Luxury property prices are estimated to have risen by

more than 20 per cent during 1993, and there has been a significant increase in the level of sales. This has been boosted by an enormous influx of capital from mainland China, where investors have been looking for a hedge against the weakening yuan.

According to the Hong Kong government's monetary authority, total outstanding mortgage lending increased by 2.2 per cent during July, compared with an average of 1.1 per cent for the previous year. It expects a further increase during August.

The authority's deputy chief executive, Mr David Carse, yesterday encouraged the colony's banks to review lending criteria, in the light of the latest statistics.

Since mortgage lending is arguably the most profitable part of their loan portfolios, the banks will be anxious to see the property market stabilise rather than actually fall. Hongkong Bank said it would take a flexible approach to the new policy.

China and Vietnam open talks

By Tony Walker in Beijing

CHINA and Vietnam yesterday sought to open a new chapter in their vexed relations, with their first high-level talks on long-running territorial disputes, including a row over oil drilling rights in the Tonkin Gulf.

Mr Tang Jiaxuan, China's vice foreign minister, talked of a "new situation" in relations between the once close allies, and said that Beijing would "participate in the negotiations with positive, practical and constructive attitudes".

Western officials in Beijing say that while it was important that the neighbours should have resumed discussions in an apparently cordial atmosphere, significant barriers remained to an early resolution of disputes over territory both in the Tonkin Gulf, and in the South China Sea where the two sides are locked in disagreement over ownership of the Spratly Islands.

Mr Vu Khoan, Vietnam's



Tang Jiaxuan (right), China's vice foreign minister, before talks with his Vietnamese counterpart, Vu Khoan, in Beijing

vice foreign minister, said at a welcoming ceremony at China's state guest house that the two sides had come together to "help resolve various problems left over from history".

Agreement on this new

round of talks was reached during a visit to Hanoi last December by China's Premier Li Peng. That visit was aimed at establishing a new basis of trust and understanding after the mutual antagonism of the recent past.

China, angered by Hanoi's invasion of Cambodia, launched a brief border war against Vietnam in 1979 which it described at the time as a "counter attack in self defence".

Chinese forces received a "bloody nose" at the hands of the Vietnamese. It was not until 1991 that relations were normalised again, but lingering mistrust delayed the resumption of serious efforts to resolve their differences.

Babangida's ambiguous gift

Leslie Crawford and Paul Adams on a Nigerian farewell

NOT FOR the first time, but possibly for the last, General Ibrahim Babangida yesterday demonstrated his capacity both to surprise Nigerians and keep them guessing.

Three days before he is scheduled to step down from power, Nigeria's military leader authorised the introduction of a two-tier price system for petrol that will have the effect of raising the price tenfold.

Is the move designed to trigger protests which might turn to violence and provide a pretext for an extension of the general's strong-arm rule? Or is it his farewell gift to the new government, due to be sworn in tomorrow, tackling an issue a civilian government might prefer to avoid?

Whatever his motive, the general has belatedly fulfilled an acid test of any attempt to put Nigeria's lapsed economic reform programme back on track. Few issues are so central to recovery as the need to end the massive subsidy of fuel that saw smuggling to neighbouring states thrive and left many parts of Nigeria short of petrol - at the official rate, that is.

Under the new system, fuel at the old price of N0.70 a litre (2.8 US cents) will still be available, but in the coming weeks the number of outlets will be cut and queues will get longer. More and more drivers will choose to pay a higher price - N7.50 - for a premium grade petrol rather than queue, so the theory goes.

And in centres where smuggling has created a shortage, motorists are already paying a

black market price equivalent to the new rate. Petrol in a country where oil is not the only commodity in short supply. Banks have been unable to meet a sudden run on deposits because of a shortage of physical bank notes. Cheques are not being honoured. The Central Bank of Nigeria has rejected calls to print more notes.

'In the past three weeks this country has ground to a halt because there is no government'

"We have to try to control inflation," a central bank spokesman said. In the absence of reliable data, Nigerian businessmen believe inflation is running at an annual rate of between 70 and 100 per cent, compared with 46 per cent at the end of 1992.

"In the last three weeks this country has ground to a halt because there is no government," says the managing director of a big industrial group. "No one wants to hold stock, manufacturing output has dwindled and people want their money in cash kept under the mattress. Everyone is just waiting to see what will happen on August 27."

Managers have put investment decisions on hold. They say planning meetings are about how to survive through the week. Any business forecasting is impossible. Fears for safety have stopped truck drivers making journeys between

north and south Nigeria, adding supply problems to the other woes of Nigerian industry.

More disruption is expected as pro-democracy groups have called three days of protest from today. The Nigeria Labour Congress, which groups 41 industrial trade unions, has called its members out on strike if Gen Babangida does not bow out on Friday.

More serious is the threat of Nupeng, the oil workers' union, to do the same. Gen Babangida has deployed the army to guard Nigeria's oil installations.

"The soldiers have taken arms and ammunition into refineries in contravention of all international safety regulations," says Mr Elijah Oluogbo, the deputy general secretary of Nupeng. "They fear we will sabotage the oil industry. But we have no guns. Our only weapon is a civil disobedience campaign to force Babangida to quit the stage."

Gen Babangida yesterday convened a meeting of the ruling military council to discuss the composition of the "interim government" which he says will succeed him on August 27. But with 48 hours to go before the handover, the general, who annulled the June presidential elections, is understood to be having difficulty convincing a Nigerian of sufficient stature

to head the new administration.

Several eminent Nigerians are believed to have declined the offer. "No self-respecting Nigerian wants to lead a puppet government," says a banker in Lagos. "It will be a government of non-entities, and the economy will continue to fall to pieces."

The pro-democracy movement has been fragmented and leaderless since Chief Moshood Abacha, the presidential candidate robbed of his victory, fled the country three weeks ago. Labour protests are unlikely to have much impact outside Lagos, although the disruption in the oil industry could be serious if Nupeng carries out its threatened strikes.

Businessmen fear that the new interim government will lack the legitimacy and authority to solve Nigeria's economic problems. The departing transitional civilian administration, named by Gen Babangida six months ago to put Nigeria's faltering economic reform programme back on track, has wound up in dismal failure.

The country's budget deficit is thought to have reached N22bn (\$873m) in the first quarter of 1993 - nearing in four months its deficit target for the year. Chief Ernest Shonekan's administration also failed to reach a debt-rescheduling agreement with the Paris Club of creditor nations, who are owed \$16.5bn of Nigeria's \$30bn foreign debt.

Whatever government takes over will inherit an economic crisis, but if the price rise yesterday is accepted by Nigerians, it will have one less headache to bear.

New draft of S African constitution

By Patti Waldmeir in Johannesburg

THE latest draft of South Africa's post-apartheid constitution, published yesterday, provides details for the first time of how executive power will be shared in the first government, proposing an effective white veto over areas such as the budget and national security.

The issue of power sharing within the first post-apartheid cabinet has been the subject of months of bilateral negotiations between the African National Congress and government. Yesterday's draft constitution effectively proposes that Mr Nelson Mandela, president of the ANC, should be South Africa's president and Mr F.W. de Klerk, the current president, the vice or deputy president.

It stipulates that decisions within the cabinet should be taken by a special majority - yet to be set - and that in matters of budget, finance and national security, both the president and vice-president would have to agree. This would give the ruling National party, whose support is expected to be overwhelmingly white, an effective veto in these matters.

The draft proposes that parties gain cabinet representation in proportion to their share of the vote in elections to parliament. It is understood Mr de Klerk opposes the idea of a more equal relationship between the leader of the majority party and others within the coalition.



A supporter of Togolese President Gnassingbe Eyadema wears an Eyadema cap and holds a poster of him during a rally in Lomé yesterday. The main opposition alliance - COD 2 - has called for a boycott of today's elections that Mr Eyadema seems determined to hold despite the withdrawal of his two chief opponents. COD 2 said that many irregularities had marred the preparations for the vote.

NEWS: THE AMERICAS

'Bidding wars' truce by governors

By George Graham
in Washington

US GOVERNORS have agreed on a new policy aimed at preventing "bidding wars" in their efforts to attract businesses to their states by offering tax breaks and other incentives.

The policy will not end such competition but officials hope it will mark a truce and help states to focus on improving their general economic conditions.

Governor Jim Edgar of Illinois, main author of the policy, said it "should restore some sanity to the competition". Governors have often come under attack for spending more money and effort trying to attract new industrial plants than on maintaining sound business conditions for existing businesses that may have a much better record of creating local jobs.

The new policy statement from the National Governors' Association, agreed at a meeting in Oklahoma last week, says that the competition for plant location "should not be characterised by how much direct assistance a state can provide to individual companies".

Instead, states should be judged on such factors as improvements in education, transport, telecommunications, general tax policies, business regulation and the quality of public services.

The announcement of a new industrial plant can trigger a flurry of offers from states anxious to win the jobs it would bring, ranging from tax holidays to free land and infrastructure investments.

Mercedes-Benz received offers from more than 30 communities around the US when it announced it would build a \$300m factory making four-wheel drive utility vehicles. BMW won an estimated \$7m in land grants and other incentives from South Carolina when it decided to locate a \$410m plant in Greenville.

Hopes dwindle for US Mars probe

By George Graham
in Washington

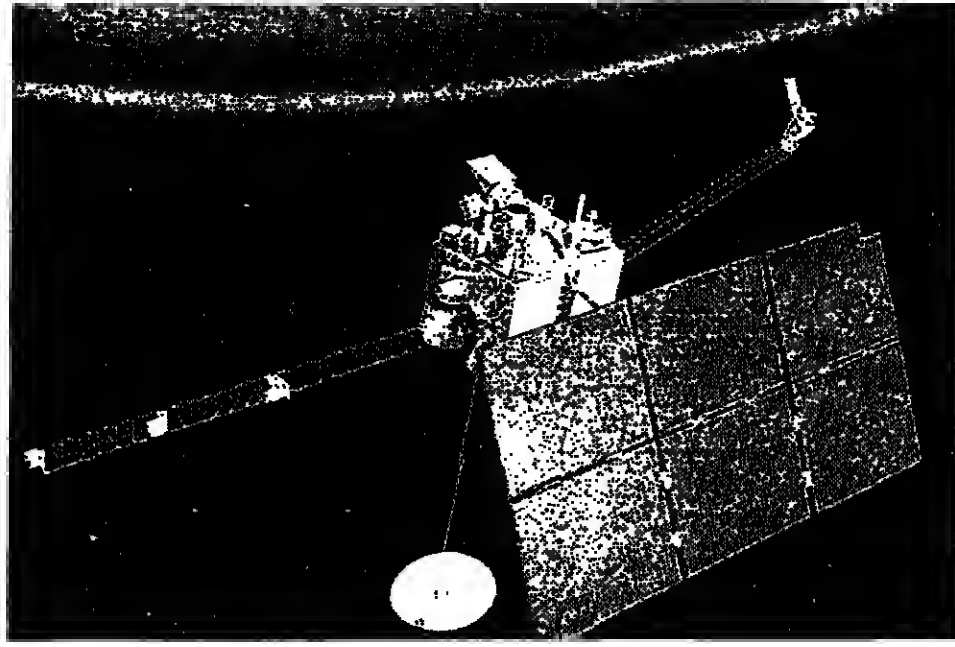
HOPES FOR rescuing the \$980m (5652m) Mars Observer mission from failure were dwindling yesterday as US space scientists tried vainly to re-establish radio contact with the spacecraft.

Officials at the National Aeronautics and Space Administration could do little but cross their fingers and hope that a fallback programme would prompt the Mars Observer to call in of its own accord, after their own efforts to restore communications had produced no result.

Failing that, the spacecraft seemed destined to head on uselessly into space, instead of turning into an orbit around Mars from which it could map the planet's surface and explore its atmosphere and composition.

Nasa engineers had originally switched off the Mars Observer's radio last week as a precaution when they pressurised its fuel tanks in preparation for orbit. The radio has not switched back on.

Scientists involved in the



SILENT SATELLITE: Nasa hopes a fallback programme will prompt it to call in of its own accord

mission tried to put a brave face on things, noting that some of the return on the

\$980m investment had already been achieved through the development of technology for

the mission that could be transferred to other uses. Nonetheless, the mission

seems set to become the latest in a series of disasters that have severely damaged Nasa's reputation.

Nasa's efforts to explore deep space, from the Hubble space telescope to the Galileo mission to Jupiter, have been hampered by technical failures.

Its launch programme has also been plagued with problems, with malfunctions causing delays to the schedule for space shuttle missions.

Other space launchers outside Nasa's aegis have fared no better, with setbacks including the explosion earlier this month of an Air Force Titan 4 rocket carrying an expensive intelligence satellite.

These problems come at a particularly critical time for Nasa, because of the intensity of debate in Congress about future funding levels for expensive programmes such as space exploration.

The space station, redesigned to meet tighter cost constraints, survived by one vote in the House of Representatives in June, but Congress members opposed to the station believe there are other opportunities to kill it.

Menem's drive for new term triggers row

THE ANGRY resignation of Argentina's interior minister has brought out into the open a bitter row over President Carlos Menem's drive to amend the constitution so he can stand for a second term.

Reuter reports from Buenos Aires that Mr Menem's closest aides of dirty tactics to their campaign to change the constitution.

Mr Menem, who took over from his predecessor Mr Raúl Alfonsín at the height of a bout of hyperinflation in 1989, will have to step down in July 1995 if he cannot get the constitution changed.

He says his team's success in reining in inflation must be given a further lease of life with a second term in office.

also charged in an interview published on the eve of his resignation that some of Mr Menem's aides were prepared to buy opposition votes in the 257-seat lower house of parliament, which must approve by a two-thirds majority any proposal to change the constitution.

Although Mr Menem never named any of his targets, one of his aides singled out Mr Eduardo Bauza, Mr Menem's influential chief of staff and his main political opponent.

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He says his team's success in reining in inflation must be given a further lease of life with a second term in office.

Coal strike talks to restart today

By Laurie Morse in Chicago

REPRESENTATIVES of the US's largest coal mine operators and the United Mine Workers of America will meet in Washington today in an attempt by federal mediators to end a long-running strike that has hit about 10 per cent of US coal production.

However, both sides have called today's talks "exploratory", and neither expects a quick end to the dispute.

Mine workers have been striking at eastern and central mines owned by members of the Bituminous Coal Operators Association since May, when the union's contract expired. Hardest hit include Peabody Coal, subsidiary of UK-based Hanson, and Consol Energy, owned by Rheinbraun of Germany and DuPont, the US chemical company.

Most of the affected mines produce high-sulphur coal, a commodity already under market pressure because of the environmental constraints of the US Clean Air Act. The union is seeking guarantees from the coal companies that its members will be given jobs in new mines in the region.

The coal operators have proposed a complicated formula for awarding some new jobs to union workers and some to non-union labour.

Union workers, the companies contend, cost more to employ. The companies are also seeking contract concessions that would give them more workforce flexibility, according to Mr Tom Hoffman, a BCOA spokesman. "The union still wants all the jobs at every single mine that opens," said Mr Hoffman, "and we won't give them that."

Brazilian states in accord on federal debt

By Christina Lamb in Brasília

ELEVEN of Brazil's 27 states signed an accord yesterday to restart paying back up to \$20bn (£13.3bn) owed to federal government agencies, in the first concrete step towards improving the Treasury's cashflow and balancing public accounts.

Under the agreement, whose signatories include the biggest debtor states such as São Paulo, Minas Gerais, Bahia and Rio de Janeiro, the federal government has the right to suspend revenue transfers to the states if

they miss debt repayments.

The debt is to be restructured over 20 years with 240 monthly instalments. On signing, the states made a symbolic \$38m payment to the National Savings Bank, to which they owe \$9bn.

However, for the accord to come into effect, Congress must approve enabling legislation in a vote due next week and the Senate must decide on the level of payments for each state.

The federal government wants the states to pledge 11 per cent of receipts for debt payments. However, state governors insist that they cannot commit

more than 7 per cent.

To obtain the accord the government had to give in to various demands by the states.

It will assume much of the debt Rio state built up over its ill-fated metro project and discount money owed to the state power distribution companies by Eletrobras, the state holding company. The final amount to be repaid to the federal government may be nearer \$1.1bn than the \$20bn originally hoped for.

Following the government victory on wage legislation the signing of the debt

accord is the second piece of good news in a week for Mr Fernando Henrique Cardoso, the finance minister.

However, following the familiar pattern among Brazilian politicians of giving with one hand and taking away with the other, a new cheque tax, from which the government is hoping to raise \$2.5bn this year, is being threatened by legal action.

Five governors from the south of Brazil went to court yesterday to contest the constitutionality of the new tax which is due to come into force tomorrow.

UN appoints a 'Mr Clean' to fight fraud

By Michael Littlejohns, UN
Correspondent, in New York

THE UNITED NATIONS last night appointed a senior investigator to examine persistent charges of fraud, waste and corruption in the organisation.

Mr Mohamed Aly Niaz, an Egyptian who served for 23

years as a UN internal auditor before his retirement, will fill the newly created post of assistant secretary-general for inspections and investigations.

He is said by those within the UN to be "obsessed with honesty". He is already running an inquiry into the way the UN handles multi-million

dollar bids for commercial contracts for peacekeeping and other services.

Eight officials were recently suspended from duty following suspicions of impropriety in the award of a contract to a company that provides helicopter services for UN missions. Mrs Madeleine Albright, the

US delegate, has been pressing for appointment of a UN inspector-general with wide powers. That question is expected to be addressed by member states at the general assembly session beginning next month.

Allegations of mismanagement and lax controls over the UN's world-wide operations are

blamed in part for the US Congress's failure to authorise payment of some \$786m (£527.5m) in arrears for the regular budget and peacekeeping.

Mr Niaz was the personal choice of his compatriot, Mr Boutros Boutros Ghali, the secretary-general. He will head a staff of 90.

NEWS: WORLD TRADE

US critics hit at Uruguay Round draft

By Nancy Durne
in Washington

US BUSINESS and labour lobbyists continue to demand far-reaching changes in the current negotiating text for completion of the Uruguay Round of world trade negotiations. They are also pressing, with December 15 as the notional deadline, for more progress on tariff reductions.

These groups see as a key weakness of the current text an emphasis on curtailing US trade laws rather than imposing disciplines on the practices which these laws are supposed to address, such as dumping, subsidies and industrial targeting.

The enthusiastic support of US business is vital if a final Uruguay Round package of reforms is to overcome protectionist forces in Congress. The text was prepared in 1991 by Mr Arthur Dunkel, the former GATT director-general, who proposed compromises from the various positions of GATT members.

In the view of many US companies, this produced a docu-

ment skewed against "the world's most open large market" because it would cripple the trade laws used to protect against "unfair" practices or employed to open foreign markets.

The US Chamber of Commerce last week sent Mr John Schmidt, the US co-ordinator for multilateral trade negotiations, a detailed listing of "our perceptions of the shortcomings of the Dunkel draft".

High among the complaints was that the negotiating text "significantly benefits the interests of respondents in anti-dumping investigations and significantly prejudices domestic petitioners".

An updated report produced by the Labour/Industry Coalition for International Trade found many of the same deficiencies.

The Chamber of Commerce also wants further tariff reductions (it mentions textiles and electronics), harmonisation of tariffs, and "vigorous attempts to achieve the Tokyo summit commitments to cutting peak tariffs by 50 per cent and other tariffs at least 33 per cent".

Kinkel, Juppé in Gatt talks pledge

By Quentin Peef in Bonn

MR Klaus Kinkel, the German foreign minister, and Mr Alain Juppé, his French counterpart, yesterday expressed their joint determination to reach a rapid settlement of the Uruguay Round of talks on world trade. After a day of informal discussions in Dresden, the two underlined the "excellent" state of relations between their governments, in spite of the recent upheaval in the European monetary system, and their continuing differences on the trade negotiations.

Mr Juppé admitted, at a brief press conference, that problems still remained to be

resolved on liberalising farm trade, but he added: "The will to find a solution is stronger than ever." Mr Edouard Balladur, the French prime minister, is expected to spell out to Chancellor Helmut Kohl tomorrow the latest French proposals on farm trade, which France will table in Brussels at a meeting of EC foreign and agriculture ministers on September 20.

France is the only EC member which has been unable to accept the EC-US agreement on farm trade negotiated last year. Chancellor Kohl has been pushing for a compromise to enable the Gatt round to be concluded.

Taiwan aviation talks struggle to take off

TALKS between British Aerospace and Taiwanese officials to rescue a proposed joint venture have spilled over into a third day, write Daniel Green and Dennis Engbarth in Taipei.

Fourteen hours of meetings yesterday remained mired in the details of how the aircraft manufacturing venture, called Avro, will be financed.

The deal is central to BAE's strategy

to improve its profitability. The RJ series of regional jet aircraft that would be built partly in Taiwan currently loses money for the company.

Taiwanese banks want to limit their exposure to the fortunes of Avro. They are said by those within the UN to be "obsessed with honesty". He is already running an inquiry into the way the UN handles multi-million

loans from UK banks. The Taiwanese cabinet minister involved in the talks, Mr Chiang Ping-Kun, economic affairs minister, confessed he "did not understand" UK banking law on collateral. Taiwanese law prevents a bank from making unsecured loans to a company in which it has more than a 3 per cent stake. This limit is exceeded by the state-owned Chiao Tung Bank, which

heads the consortium of lender banks. Chiao Tung Bank officials will continue their talks with BAE today.

Another team from Taiwan Aerospace Corporation, the joint venture partner, will address guarantees that aerospace technologies will be transferred to Taiwan and the conditions under which a new range of aircraft, the RJX, would be developed.

TAC bows to banks and officials

Daniel Green on negotiations with BAE



The BAe regional jetliner (RJ) family that would be built partly in Taiwan under the deal

IN TAIWAN the business of building aircraft has become too important to be left to businessmen.

Taiwan Aerospace Corporation (TAC), the company set up two years ago by Taipei to launch one of Asia's leading manufacturing economies into the commercial aviation industry, is being elbowed aside by the country's banks and government officials.

Its president and chairman will be replaced within weeks by nominees from creditor banks, whether or not the protracted talks with its potential partner, British Aerospace, succeed in establishing a joint venture to build regional jet aircraft. Although TAC's chairman is taking part in the talks, the state-owned Chiao Tung Bank, which leads the banking consortium that plans to lend money to the joint venture, has taken centre stage in the talks.

Mr Denny Ko, TAC's outgoing president, is not even attending this week's event though he signed the original joint venture contract with Mr John Cahill, BAE's chairman.

In January, US-educated Mr Ko acknowledged that he was "perhaps naive" in believing the fine-tuning of the contract would take just three months. He says that the Taiwanese establishment tends to regard him as too pro-western to take any further part.

But he admits the banks have some justification for

their unhappiness about the way the deal has been conducted. "There was a breakdown in communications" between TAC and the banks backing the project during the spring, he says.

That breakdown led this week to a redrafting of a series of clauses in the original contract with the intention of assuaging the fears of the banking consortium members that the joint venture might lose money. Those changes being negotiated this week are designed to:

● Ensure that assets BAE is

putting into the joint venture called Avro can be used as collateral against bank loans. Details of the loans have dominated talks this week.

● Reduce the banks' exposure to risk in the leasing of aircraft - Taiwanese banks are relatively unfamiliar with leasing.

● Determine the nature of a market study that could lead to the production of a new model of aircraft, the RJX.

● Strengthen BAE's commitment to transferring design and manufacturing skills to Taiwan - a senior government official on Monday said the

original contract was "loose" on the subject.

This last point was underlined yesterday by Taiwan's defence minister, who was reported to have called for more technology know-how to be transferred to Taiwan as part of a separate military aircraft deal with Dassault, the French aircraft maker.

The now sidelined Mr Ko can only watch Taiwan's banking and political establishment take direct control of the talks, indicating how determined it is to make Taiwan a force in civil aircraft manufacture. While

BAE wants Asian manufacturing and markets to stem the losses in its regional aircraft operation, for Taiwan the logic of the deal is more complex and no less compelling.

The country has a well-developed military aerospace industry that grew out of its political isolation. In the wake of western countries' recognition in the early 1970s of the communist government in Beijing, Taiwan was unable to buy advanced military aircraft from western countries.

In the 1970s it began a programme to develop its own supersonic fighter aircraft. But just as production got under way last year, France and the US decided to risk Beijing's wrath by allowing the sale of General Dynamics F-16 and Dassault Mirage 2000 fighters to Taiwan.

Taiwan's air force promptly halved its order for the indigenous fighter, leaving 200-plus local aerospace manufacturers and the design and manufacturing arm of the defence ministry with spare capacity.

What is unfortunate for BAE, is there is no shortage of western suitors willing to take work-hungry Taiwanese partners. The Taipei annual aerospace exhibition, which finished on Sunday, was dominated by huge pavilions of French and US companies. BAE was represented by a small stand under the name of Avro. See Lex

AEG links with UK in rail deal

ANGLO-German partners AEG and Taylor Woodrow International have won a DM735m (£290m) contract for a light railway system in Kuala Lumpur, the Malaysian capital, writes Christopher Parkes in Frankfurt.

AEG said yesterday its share amounted to DM520m and comprised orders for the entire electrical system, signalling, telecommunications, ticketing and workshop equipment, and 34 units of rolling stock.

Taylor Woodrow, the construction company in charge of the project, will lay tracks and build stations for the 12km project. On completion, expected in late 1996, the system will have a maximum passenger capacity of 35,000 an hour in each direction.

The contract represents a further advance for AEG's rail systems division, one of the fastest growing units in the Daimler-Benz subsidiary. AEG is due shortly to make its first direct investment in Chinese railways, in a joint venture to make carriages for the Shanghai metro. The company made its first move in Chinese railways in charge of an all-German consortium which set up and equipped the first stretch of the Shanghai system.

Caviar cartel

The five countries sharing the Caspian Sea agreed yesterday to set up a caviar cartel, Iran's IRNA news agency reported. Reuter reports from Moscow. It said fishery officials from Iran, Russia, Azerbaijan, Kazakhstan and Turkmenistan, meeting in the Iranian Caspian port of Bandar Anzali, agreed to co-ordinate marketing of the luxury delicacy around the world.

Hungary set for key decision on mobile telephones

HUNGARY will tomorrow name the winners of a tender for two concessions to operate digital mobile telecommunications systems, writes Nicholas Denton in Budapest.

The successful international consortiums are expected to pay a combined \$100m (£150m) for the right to operate networks based on the pan-European GSM standard over 15 years

and to invest a further \$400m in development over the next 10 years. Hungary's is the first tender in east-central Europe for GSM mobile phone services and will set a precedent for Poland and the Czech Republic.

Confident of victory is a group led by US West, the US regional operator, and HVC, the Hungarian telecommunications monopoly. They are already

partners in Westel, the joint venture operating Hungary's analogue mobile telephone service.

DBFH, teaming Deutsche Bundespost Telekom, France Telecom and British Telecom, is also a powerful contender. With a reported \$48m bid for the rights to one concession, the west European national operators topped the \$46m offered origi-

nally by US West and its partners.

But Deutsche Telekom is a prime contender for the planned privatisation later this year of a stake of more than 30 per cent in state-owned HVC. Deutsche Telekom's involvement in the national landline operator could conflict on competition grounds with participation in digital cellular telephony.

Deutsche Telekom's divided interest may work to the advantage of Pancom GSM, a coalition of the Danish, Swedish, Finnish and Dutch state telecommunications companies. The "Nordic" group's last bid of \$46m was only marginally behind the leaders' and the tender evaluation committee rated the submission's technical quality highly.

Minister refuses to rule out tax increases

By Peter Norman,
Economics Editor

A SENIOR government minister yesterday said the ruling Conservative party intended to offer potential tax cuts ahead of the next general election, but could do so only by cutting the level of state borrowing.

Mr Michael Portillo, chief secretary to the Treasury, did not, however, rule out the possibility of tax increases in the November 30 Budget as part of a strategy to bring the state's finances into order.

Instead, he cautioned against excess optimism that this year's public sector borrowing requirement would be less than the £50bn forecast in the March Budget. Nor would Britain's recent better than expected inflation performance help the government with its task of cutting expenditure.

"If the recovery is stronger than we anticipated, then public borrowing will come down a little bit faster," he said in an interview with the Financial Times. "We are going to be borrowing rather large sums of money for rather a long period of time. I'm looking at an increase of our debt service

CONSUMER confidence in the health of the economy has increased again, fuelled by a growing belief that unemployment has stopped rising, the latest Gallup survey of consumer confidence shows.

The survey, conducted on behalf of the European Community, found that when asked about prospects for growth, 34 per cent of the 2,042 respondents expected the general economic situation to improve in the next 12 months while 28 per cent expected it to deteriorate.

burden of about £10bn over the next four years. And that is money that cannot be spent on programmes."

Mr Portillo said it was "essential for the Conservative government to go into the next election with a reputation for sound public finance". To do that it needed to make sure that borrowing was "reducing at a fast enough rate".

Mr Portillo was concerned that critics inside the Conservative party seemed unaware of how tough a proposition the government had set for itself in aiming to hold the "control totals" of £253.6bn and

£253.3bn that it set a year ago for public spending in 1994-95 and 1995-96 respectively.

The control totals amounted to no real increase in public spending in the two years.

Mr Portillo said the government could not take comfort from Britain's better-than-expected inflation performance in planning its public spending. "For the time being we would expect inflation in the years ahead to be a little higher than we expected in July 1993 (when the control totals were set) because of the loss of value in the currency" since sterling's departure from the European exchange rate mechanism last September.

Nor was he lulled into complacency by last month's better-than-expected public sector borrowing figures which have prompted many City analysts to pitch their expectations of the PSBR below the £50bn envisaged by the government for this financial year and the £44bn forecast for 1994-95.

"At the moment it seems to me that we are still faced with a borrowing requirement of about the size that the government has estimated," he said.

Interview, Page 10



Albert Pacey, the new head of the 17-month-old National Criminal Intelligence Service, warned yesterday that public concern about street crime should not obscure the "hidden dangers" of organised crime such as burglary, drug trafficking, money laundering and fraud. Photograph, Trevor Humphries

Charges against brokers dismissed

By Norma Cohen,
Investments Correspondent

THE Serious Fraud Office yesterday suffered a further setback to its efforts to prosecute alleged City crimes in the criminal courts when two stockbrokers were acquitted of conspiracy to defraud.

The men in the case, Mr Andrew Leslie Kent, 46, and Mr Patrick Mahon, 53, were respectively corporate development manager and managing director of the City firm T.C. Coombs. Both were charged with conspiracy to defraud and attempting to obtain property by deception.

Dismissing the charges against the men, Crown Court Judge Clark said: "This sort of enquiry in a case where there has been no financial loss to any individual would be far better left to the regulatory jurisdiction of the appropriate bodies rather than a full-blown criminal trial."

Judge Clark called the SFO's case speculative, but said: "I make no possible criticism of the SFO in this case." The SFO case was largely based on documents applied to it by a Swiss bank, Rahn and Bodmer. However, several months ago, following a judge's order, the bank turned over more documents which cast new light on the claims.

The judge has ordered the prosecution to pay the defendants' costs.

Mr Robert Alan-Jones, QC for Mr Kent, said his client would pursue claims against Rahn and Bodmer for defamation and malicious prosecution. Lawyers for both men said they were also considering whether to act against any regulatory bodies.

Under the Financial Services Act, self-regulating bodies may not be the subject of a damages claim as long as they were carrying out their duties in good faith.

At the heart of the prosecution's case was that the men had entered into a transaction ultimately designed to make Coombs appear more heavily capitalised than it actually was.

Unions may face penalties for poaching members

By Robert Taylor,
Labour Correspondent

ANY union which poaches members from another labour organisation could face heavy financial penalties under new proposals being considered by the TUC, the umbrella group for most UK unions.

The proposal for a tough system of fines is made in a confidential TUC consultative document sent to union general secretaries. It is designed to prevent inter-union conflict after the introduction later this year of a law giving workers the right to join the union of their choice.

The paper also calls for a new TUC body to be set up to judge poaching cases if conciliation fails. It would be headed by a legally qualified director backed by two outside experts and serviced by TUC staff.

In the past the TUC has suspended or even expelled unions which refused to accept its rules on inter-union relations.

Although the TUC has opposed moves to inflict financial penalties on member unions in the past, the confi-

dential document says: "A new system of penalties might be developed based not on requiring the exclusion of members or on rescinding of agreements, but on financial damages and compensation." This would be linked to the loss of income to a union for one or two years. The document does not specify the amount of such fines.

Other proposed sanctions against a union found guilty of poaching would be censure by the TUC general council or the annual congress. In a further departure from present policy, the TUC also proposes playing an active role in encouraging union mergers.

Under the new Trade Union Reform and Employment Rights Act, a worker has a right not to be excluded or expelled from a union unless he or she fails to satisfy union rules restricting membership to people employed in a specialised trade, industry or occupation.

The TUC warns in the paper that unions could be dragged "increasingly into inter-union skirmishes and wars" if they fail to adapt to the legislation.

Shipyard workers lodge tribunal claims

By Chris Tighe

NEARLY 500 former employees of Swan Hunter, the Tyneside shipyard, have lodged claims of unfair dismissal as part of a union campaign to highlight the position of workers made redundant by receivers in north-east England.

The claims have been flooding into the industrial tribunal centre at Newcastle upon Tyne since union leaders wrote last week to more than 700 employees made redundant since the shipyard went into receivership in mid May.

If the employees' claims succeeded, they would be unlikely to receive any additional compensatory payoffs. A creditors' meeting earlier this month was told by receivers Price Waterhouse that Swan Hunter had total liabilities of £51m and realisable assets estimated at £2.2m.

But Swan union leaders hope their move, which follows a similar initiative by Leyland Daf union officials, will raise concern at how receivership can harm employees' redundancy entitlements.

Swan Hunter's now defunct company severance scheme paid up to £13,000; employees made redundant by the receivers must apply to the Department of Employment under the state redundancy fund, which pays a maximum of £5,150.

Price Waterhouse declined to comment at this stage.

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Price Waterhouse declined to comment at this stage.

IT staff to strike at BAe

By Ian Hamilton Fazey,
Northern Correspondent

STAFF in the military aircraft division of British Aerospace (BAe) will tomorrow stage a one-day strike at plants in north west England against what unions say are plans to "sell their jobs" to one of three US companies.

The strike, which will involve about 450 information technology specialists and other staff, will affect factories in Warton, Preston and Sarnesbury where BAe makes the Tornado ground attack bomber, the Hawk jet trainer and parts of EFA, the European Fighter Aircraft.

The Manufacturing Science and Finance white-collar union said yesterday BAe wants to "outsource" up to £50m of information technology work.

The union alleged that this would remove the company's ability to control its own information technology systems and pose a threat to national security.

Mr Frank Coulton, chairman of the MSP branch for the three factories, claimed secrets of military aircraft design and knowhow would be given to an overseas company.

Outsourcing - where a company contracts out formerly in-house services - has been growing in the recession, with computer bureaux offering economies of scale and savings in functions such as warehouse management, stock control, invoicing and debt collection.

British Aerospace said investigations on outsourcing had been under way for several months as a part of a general efficiency review and cost

reduction, but no decision had been made. It said detailed tenders for the work had been sought from an IBM-DEC consortium, Computer Science Corporation, and EDS-Scicon. All three bidders are US companies.

BAe declined to say which work would be involved, but MSP believed it to involve all mainframe computer activity, including some computer-aided design and manufacture, as well as routine clerical and management systems.

The company said the outsourcing investigations did not involve Rover cars or the group's construction business, only aerospace. About 15 factories would be involved throughout Britain. BAe workers would be transferred to the contractor if any outsourcing is agreed.

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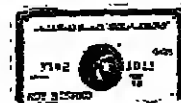
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NEWS: UK

Nissan likely to cut output target at UK plant

By Kevin Done,
Motor Industry Correspondent

NISSAN, the Japanese carmaker, is reviewing output levels at its UK plant and is expected to be forced to cut its present target of producing 270,000 cars this year.

Production levels throughout the UK motor industry are under heavy pressure because of the continuing sharp decline in new car sales in continental Europe.

Nissan had planned to raise output at its 1900m car plant at Sunderland in north-east England by 51 per cent this year to 270,000 from the 179,000 cars produced last year.

"With the situation in Europe as it

is, it is beginning to look as if we will not reach that target," the company said yesterday.

Around 85 per cent of production was exported last year, but this share has fallen in 1993, as the UK has emerged as the only market in west Europe where new car sales are growing.

The Sunderland plant, which now has a capacity to produce up to 300,000 cars a year, has been under development since the mid 1980s. This is the first year in which it has been able to produce two car ranges, the Primera large family car and the Micra small car, at full capacity following the launch of the Micra in the second half of last year.

The start-up of Micra production has allowed Nissan to raise its output in the first half of 1993 by 90 per cent to 140,713 from 74,214 in the corresponding period a year before.

However, output at the plant was already coming under pressure early in the summer from the sales decline in continental Europe. Nissan was then forced to lower planned Primera output in Sunderland by 15 per cent to 110,000 from the previous target of 130,000.

This reduction was offset by the decision to raise the Micra production target from 140,000 to 160,000.

Nissan was the first of the Japanese carmakers to establish a car assembly base in Europe, and it has now

become the first to be caught up in the recession that is hitting all the established car producers in Europe.

Ford, Vauxhall and Peugeot have all been forced to reduce production in the UK this year. Overall UK car output in the first seven months at 858,617 was 6.6 per cent higher than a year ago because of the higher output from Nissan and the start-up of the Honda and Toyota UK plants.

● Honda produced 13,000 cars at its plant at Swindon, Wiltshire, in the first half of this year and Toyota assembled 15,300 cars at its plant at Burnaston, near Derby, according to figures from the Society of Motor Manufacturers and Traders. Overall UK car output has benefited

from the growing popularity in Europe of four-wheel drive leisure utility vehicles. They have withstood the recession better than conventional passenger cars and are carving a significant niche in the car market. The UK and Spain are the main production centres for such vehicles in Europe.

Output of the Rover group's Land Rover Discovery and Range Rover vehicles rose by 25 per cent in the first half of the year. It is expected to expand further as the Discovery is launched next year in the US, and when Honda - which has an equity stake in Rover - begins to sell the vehicle under its own badge as the Honda Crossroad in Japan.

Hauliers launch heavyweight bid for big trucks

Channel Tunnel holds the key to use of 44-tonners, says Tim King

WHEN John MacGregor, the transport secretary, announced earlier this month that 44-tonne trucks were to be allowed on Britain's roads he was prepared for criticism from the environmental lobby.

There was also criticism from an unexpected quarter. Britain's hauliers expressed disappointment that the trucks were to be permitted only for use to and from rail freight terminals. They claimed that the opportunity had been missed to raise weight restrictions on all freight traffic regardless of its origin and destination.

The 44-tonne limit applies to trucks carrying containers or those equipped with swap-bodies which can be separated from the traction units for transfer on to trains.

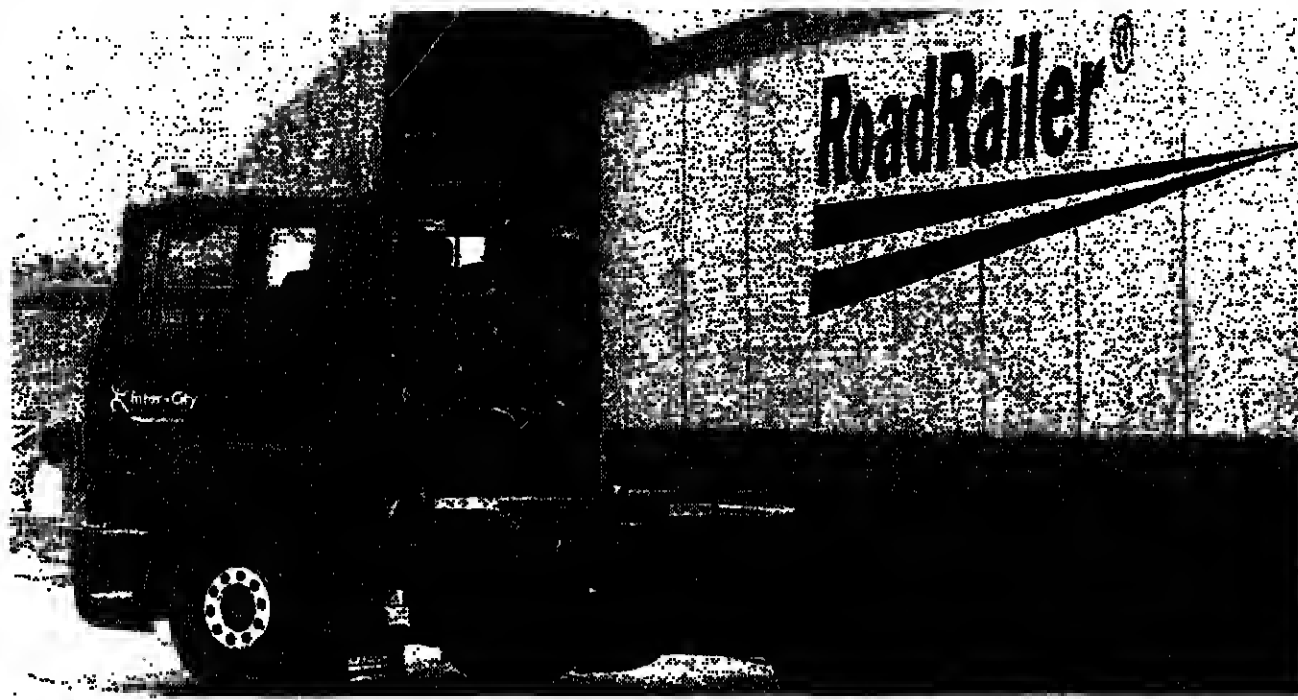
Mr MacGregor now says he wants to put container lorries and swap-bodies on level terms with trucks making road-only deliveries. The move is seen as part of the government's strategy of reversing the decline in rail freight relative to road freight. Containers and swap-bodies are heavier when empty than conventional truck bod-

ies. Ordinary trucks therefore have a competitive advantage over freight transporters used for a combination of road and rail journeys.

Britain's existing weight limit of 38 tonnes for road-only deliveries means that fully laden conventional trucks are more cost-effective than heavier swap-bodied vehicles, which cannot carry their full capacity unless the regulations are changed.

Mr Bill Newton, manager of the environment research centre at the Transport Research Laboratory, a government agency, said: "We are getting into a situation where rail freight is almost entirely moving bulk goods - coal, oil, aggregates, some bulk steel and refuse."

The advent of the Channel Tunnel rail link has raised new hopes of developing the rail freight industry, which is more competitive with road transport over long distances. Transporting most goods from Glasgow to London, for example, would be cheaper by road, while a journey from Glasgow to Genoa could justify a combination of road



Pulling power: Transport Development Group plans to operate 44-tonne road trailer trucks between UK rail terminals

and rail. In continental Europe, where most countries already have a 44-tonne limit for lorries geared to road-rail travel, the use of swap-bodies tripled between 1980 and 1989.

European freight carriers may be the first to benefit from the relaxation in UK regulations because they have already invested in swap-bodies.

Investment in swap-bodies is crucial for intermodal (combined road-rail) travel, according to Railfreight Distribution, the BR subsidiary which is due to operate most freight services through the Channel Tunnel. The company, which

the government plans to privatise, is already selling capacity on its trains to two wholesalers - Allied Continental Intermodal and Combined Transport, a consortium of Continental intermodal companies and UK road transport operators. They will sell space on the trains to international transport operators.

Mr Mike Stockdale, commercial manager at Combined Transport, says the company would initially have three trains a day in each direction, with a capacity of 26 lorry-loads. By 1995, he expects to move five trains a day in each direction. The increasing use

of 44-tonne trucks will depend on the popularity of freight services through the Channel Tunnel.

Limitations on 44-tonne trucks, which will be restricted to routes between railfreight terminals, is the biggest obstacle to reversing the decline in rail freight, according to critics of the system.

Mr Ken Buchan of the Metropolitan Transport Research Unit, an independent consultancy which was commissioned to investigate the economics of freight traffic by the campaign group Transport 2000, says the bias against rail freight is greater than a matter

of weight restrictions. Road freight, he argues, is not paying its costs in environmental and safety terms, and will continue to have economic advantages over rail until it is made to do so.

Now that he is permitting the use of 44-tonne vehicles, Mr MacGregor may find it more difficult to resist the road lobby's pleas to raise weight limits for all traffic.

He has said the new vehicles will be no bigger and cause no more wear to roads than existing vehicles. The road lobby is sure to turn that argument in favour of 44-tonne lorries for all-road journeys.

Britain in brief



Superstores 'threatened' by discounters

Food discounters and US-style warehouse clubs pose a serious threat to large UK superstore operators, Mr Archie Norman, chief executive of Asda, warns today.

Mr Norman said in June the "halcyon days" of UK food retailing were over, with the industry unable to support the number of planned store openings without a downturn in margins and sales growth. In a BBC radio business programme to be broadcast tonight, he warns superstores that are wrong to assume discounters operate in a different part of the market.

The three largest superstore chains, J Sainsbury, Tesco and Safeway, have joined forces to try to overturn planning permission granted to US warehouse club operator Costco at Thurrock, Essex, prompting allegations of collusion, and calls for an investigation by the Office of Fair Trading.

Fresh study on tunnel link

Union Railways, the British Rail subsidiary responsible for the Channel tunnel link, is investigating the feasibility of extending its tunnelling in London should St Pancras Station be chosen as the terminus for the link.

The study was in response to local protests over proposals, still being considered, for trains to travel to St Pancras station alongside the existing North London Line through Islington in north London, Union Railways said.

Tags may clock car speeding

Government plans to charge motorists for the use of motorways by attaching electronic tagging devices to cars may be

extended to surcharge drivers for speeding, a minister, has suggested.

Mr Robert Key, roads minister, said he could envisage a situation where motorists would be charged for every mile for which they broke the speed limit.

"You would know before you set out that if the speed limit was 70 mph and you were doing 80 mph, it was going to cost you and it was going to hurt," he told the motoring magazine Carweek.

Union warning on farm reform

Abolition of the Agricultural Wages Board, which sets minimum pay for farmworkers, could put the government in breach of the Treaty of Rome, according to the Transport and General Workers Union (TGWU).

Launching a campaign to save the board, the TGWU pointed out that Article 39 (1B) of the treaty states the common agricultural policy should ensure a fair standard of living for the farming community, in particular by increasing individual earnings.

"Abolition would be a clear challenge to the European Commission," said Mr Barry Leathwood, national secretary of the TGWU's rural, agricultural and allied workers' trade group. Mrs Gillian Shephard, agriculture minister, last week extended the deadline for consultation on the board's future from next month until November following pressure from both farmers and farmworkers to keep it.

Buyer interest in RiverBus

Robson Rhodes, liquidators of London's RiverBus, said it had been approached by a number of companies interested in operating commuter services on the Thames, which were suspended at the end of last week.

Jetstream order

Loganair, the British Midland subsidiary, has announced a £25m order for three Jetstream advanced turbo-prop aircraft to be delivered in two or three months. They will operate on the Edinburgh and Glasgow to Belfast routes.



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India may not be the first place to conjure up images of industrial efficiency or total quality management. While decades of bureaucratic controls restrained India's industrial performance, companies all too often subscribed to the old Indian adage of *chalta hai* or "it'll pass".

But if that is now all changing – not least thanks to the economic reforms of finance minister Manmohan Singh – one company stands out as a benchmark for others to follow.

The truck and excavator company Telco (Tata Engineering and Locomotive Company) has developed a peculiarly Indian approach to quality and worker participation in a nation that has to contend with issues – from communal tensions to the effects of *deshi* or country liquor – not always on the agenda of western boardrooms.

Based in Jamshedpur, Bihar, Telco is one of the flagship companies in the blue-chip Tata group. With its sister car plant in Pune, it is India's largest private-sector concern, with a turnover last year of Rs29,000m, approximately £512m. Established in 1945, originally as a joint venture with Mercedes-Benz, it is one of the world's largest truck manufacturers, providing 75 per cent of the goods vehicles and buses on India's roads. It has exported them to 60 countries. Last year the millionth truck rolled off the assembly line and recently Telco secured its largest export order, for 2,100 truck chassis, from the Sri Lankan government.

Quality and productivity are essential in helping us to compete worldwide," says Sarosh Chandy, resident director in Jamshedpur. "We are investing in our 'software': building on the skills, commitment and involvement of our men."

A crippling 40-day strike in 1989 and a series of shop-floor battles for union control in the early 1970s, had warned management "we were far too distant from our men to liaise with them," says Chandy. Union officers and senior executives subsequently attended moral re-orientation seminars organised by a grandson of Mahatma



Telco aims to empower the workforce through training courses and weekly meetings to discuss problems

Greg Williams

When quality is a way of life

Telco has developed a peculiarly Indian blend of ideas for motivating workers, writes Mike Smith

Gandhi. Impressed by the reconciliation of two rival union leaders, the company launched its own in-house "human relations at work" (HRW) training programme in 1982.

The focus of this is a three-day course, attended so far by 18,000 of Telco's 20,000 employees. The aim is to empower the workforce to take responsibility.

Shop floor workers, who have passed through the course, do the training and at one afternoon ses-

sion a chargehand from the tool-room, RB Singh, conducts a programme for 20 employees.

Topics for discussion are alcoholism, absenteeism, punctuality, synchronising work functions, responsibility versus blame and even blood donation schemes.

Hindu *sacris* (priests) also give talks on aspects of human behaviour, to "bring an Indian ethos into our environment of management", says Chandy.

There is also an emphasis on the Gandhian philosophy of the "inner voice" – to encourage "self-motivation", says Telco's head of management development, Nazimuddin Ahmed. "Really motivated people are inner directed."

"They have a characteristic of their own and are not dependent on others."

The visible manifestation has been the birth of shop-floor quality circles, known in Telco as "small

group activity" (SGA). Now, nearly 1,300 voluntary groups of 10 to 12 people, involving the bulk of the workforce, meet for an hour each week to iron out production problems – and discuss how to tackle alcoholism, family debt and communal tension in their townships or "colonies".

One group hailed out a colleague who became heavily in debt after personal problems. Another group repaired a fault on a metal press which had baffled German engineers.

Each year, employees make 100,000 suggestions for improvements, saving the company nearly £2m, says Chandy.

Telco is now making 16,000 more trucks with 6,000 fewer workers and has enjoyed a strike-free industrial record over the last 21 years. Chandy says that the productivity increase is also due to the impact of the SGAs.

The SGAs also help to defuse any communal and political tensions, according to Shri Gopeshwar, General Secretary of India's National Trade Union Congress (NTUC), who is head of the Telco workers' union.

When the Babri mosque at Ayodhya was demolished by Hindu militants, sparking nationwide violence, relations in the townships around Telco remained calm and the police found it unnecessary to impose a curfew.

Telco, in common with many companies in the west, still faces the challenge of how to reduce the multiple layers of middle management.

But other Indian companies are taking a keen interest in Telco's experience.

Chandreshwar Khan, assistant manager at the Management Training Centre gives talks on HRW to conferences of the Confederation of Indian Industry.

"Improvements in the quality of our products will come from an improvement in the quality of life of our workforce," he says. "In our company we talk about human relations, meaning we work together. And we don't just talk about it – it has become a way of life."

nearly 60 per cent of companies use external quality consultants when planning total quality implementation.

Alternatively, schemes may be failing because they are not properly implemented: many companies complain that middle managers have not supported or understood what TQM entailed.

A report on TQM within the UK's 500 largest companies, available from Abram, Howkes, Tel 0444-441176.

Lucy Kellaway

Moving towards independence

Tim Dickson looks at the changing face of US boardrooms

Independent directors now outnumber insiders on US boards. But more than three-quarters of US company chairmen still combine that role with the job of chief executive.

These are two of the main findings of a new report on corporate governance from the Conference Board, the worldwide business organisation which has its headquarters in New York.

The issue of independent, non-executive directors, was highlighted in the US this month with the enforced departure of Kodak's Kay Whitmore, chairman of the photographic company. But according to the Conference Board's findings, US corporations have been making considerable strides in recent years towards more independent membership.

Many companies, for example, have eliminated directors whose connection with the company could conflict with their ability to exercise impartial judgments. Thus 60 per cent of the 546 respondents had no board members representing leading customers or suppliers (including legal services), or who were related to or had a significant business connection with a member of the company's management.

Outsiders were in the majority on 94 per cent of manufacturing and financial firm boards, and on 88 per cent of non-financial service company boards. In many companies, the Conference Board comments, chief executives have initiated the reduction of insiders. In this they appear to be influenced by the potential advantages of tapping outsiders' knowledge and contacts, the need to slim down board sizes and pressure from the corporate governance lobby.

Another trend is management's loosened grip on the director nomination process through greater acceptance of the board nominating committee. The Conference Board notes, for example, that only 8 per cent of companies surveyed 20 years ago had such a committee – comprising solely outside directors and charged mainly with the task of finding and screening possible candidates for nomination to vacant board seats. The current figure is 64 per cent.

More than 90 per cent of boards now have a compensation committee, against 69 per cent two decades ago.

The findings that 76 per cent of chairmen combine the role of chief executive may seem a touch unlikely to a UK audience. Since the publication of the Cadbury report on corporate governance in 1991, splitting the two jobs in big companies has become very much *de rigueur*.

The Conference Board states that combining them in the US is "clearly the established pattern". It follows that "most CEOs expect to hold both positions when they assume leadership of a company. But the practice has again come under fire, as it did in the early 1970s".

Another section of the report highlights what directors actually do. Those in financial companies spend on average 35 per cent of their time on board committees, against 30 per cent for non-financial service companies and 24 per cent for manufacturing concerns. Committee time increases, though, as company size expands.

Median board meeting lengths range from two and a half hours in financial firms to three and a half hours in manufacturing companies.

In the largest manufacturing and financial firms the median board meeting frequency is nine times a year, although in some the frequency is as low as four and as high as 12.

At board meetings directors spend two-thirds of their time on three main concerns: strategic issues (a median of 25 per cent), financial management (21 per cent), and operations control (20 per cent). Forty four per cent of the manufacturing companies said their directors were "very diligent" in preparing for meetings, but the figure drops to 39 per cent and 34 per cent for non-financial service firms and financial firms respectively.

The report includes a brief section on Europe, based on interviews with corporate executives in eight countries.

Available from Judith Kortland, The Conference Board Europe, Avenue Louise 207, Box 5, B-1050 Brussels, Belgium.

As management fashions go, few have been more pervasive than Total Quality Management. Over two-thirds of Britain's largest companies are converts to TQM, fervently believing that it holds the secret to business success.

But experience suggests otherwise. Evidence is emerging that TQM schemes are failing because they have been poorly designed and implemented.

There is also a growing belief that the concept may be flawed – rather than being a management

panacea, TQM is beginning to look like another fad.

A recent survey of Britain's largest 500 companies by marketing consultancy, Abram, Howkes, shows that many of the schemes are half baked: two-thirds do not set quality performance targets, and even when they do exist, less than half have a mechanism for reward when those targets are met. Perhaps more alarming, TQM

schemes do not seem to be delivering their supposed financial benefits. Although most companies surveyed say that the schemes have increased customer satisfaction, only one-third have noticed an increase in sales and only a half have reported higher profits.

Overall, less than 50 per cent of the companies say they are satisfied with TQM, and only 8 per cent are "very satisfied". The results are

particularly surprising as the questions were addressed to managers responsible for the quality programmes.

One of the reasons for the frequent failure of TQM programmes to deliver so-called quality, the study suggests, is they are sold to the companies by outside consultants that have little interest in the long-term success of such schemes. The research shows that



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CITIBANK

BUSINESS AND THE ENVIRONMENT

Trying its water wings

When Lufthansa pulls in its aircraft for regular checks and overhauls every six years or so, it no longer douses them with powerful paint stripping agents that contain harsh chemicals such as dichloromethane and phenol.

Instead it gives them the water treatment. At the national carrier's new DM230m (£90m) paint hangar in Hamburg, a stream of high-pressure water is directed at each aircraft. This forces itself under the paint layers and peels them off.

The paint has to be removed so that aircraft can be inspected for cracks and corrosion.

Before Lufthansa perfected its robotically operated Aquastrip process, which it will make available to other airlines, stripping one of its Airbus A300s needed some 2.5 tonnes of unpleasant chemicals and left 10 tonnes of liquid waste.

With Aquastrip, lukewarm water is shot towards the aircraft at a shallow angle from a rotating nozzle. Turning at 6,900 revolutions a minute, this creates a fan-shaped stream of water so fine that it does not damage the aluminium skin of the wings and fuselage.

Aquastrip works precisely enough for the three coats of paint to be peeled away separately. Each nozzle sprays water at the rate of 37 litres a minute. This water is then recovered and cleaned of the paint particles. Lufthansa engineers hope to be able to recycle 97 per cent of the water. The particles are harnessed in a special waste incinerator.

Before deciding on Aquastrip, Lufthansa, which has around 220 aircraft, tried other non-chemical methods of paint removal. One was blasting with dry ice; the paint layer was broken up by the temperature shock and then ground away by the sharp-edged crystals. However, this method put a heavy stress on the thin aircraft skin and could therefore be used only once in its service life. It also consumed a large amount of energy.

Lufthansa has found that Aquastrip not only helps the environment. It is even quicker than the old chemical techniques.

Andrew Fisher

After three years of discussion over how best to provide emergency aid for the 55 Soviet-designed nuclear reactors in the former east bloc, the Group of Seven industrialised countries has finally begun to act. It has just agreed its first joint project, an Ecu24m (£18m) grant to Kozloduy, Bulgaria's troubled nuclear power plant.

The grant will be used to import safety equipment for Kozloduy, declared Europe's most dangerous nuclear power station in 1991. It will be paid out of the Nuclear Safety Account which was set up by the G7 at the European Bank for Reconstruction and Development last March and had received contributions of Ecu15m by June.

In return, the Bulgarians have agreed to shut down the plant's four 440MW VVER (old pressurised water reactor) units - which lack containment to enclose them in an accident - as soon as financially possible, which may be by 1998. The EBRD aims to make the plant as safe as possible until this happens.

Unlike many of the region's other nuclear plants, Kozloduy has already received much western attention. "Until now, we've received around Ecu15m from the EC's Phare programme (funding eastern European projects) and had some 1,000 western experts visiting Kozloduy, but this has been spent mainly on analysing the plant and its problems and on retraining staff," says Nikita Shervashidze, deputy chairman of the Bulgarian government's Committee of Energy.

"The EBRD grant will provide us with hard currency to buy foreign safety equipment. This will include process computers to make the system more user-friendly, extra cooling devices, isolation valves, spare parts and ultrasonic inspection equipment for the pressure vessels." The equipment will be purchased through tenders which the EBRD will help NEK, Bulgaria's state-owned electricity monopoly, to organise.

"One of the weakest points of electricity companies in the former east bloc is organising procurement, arranging financing and dealing with western banks. We have no experience in this and will rely on the EBRD's support," Shervashidze says.

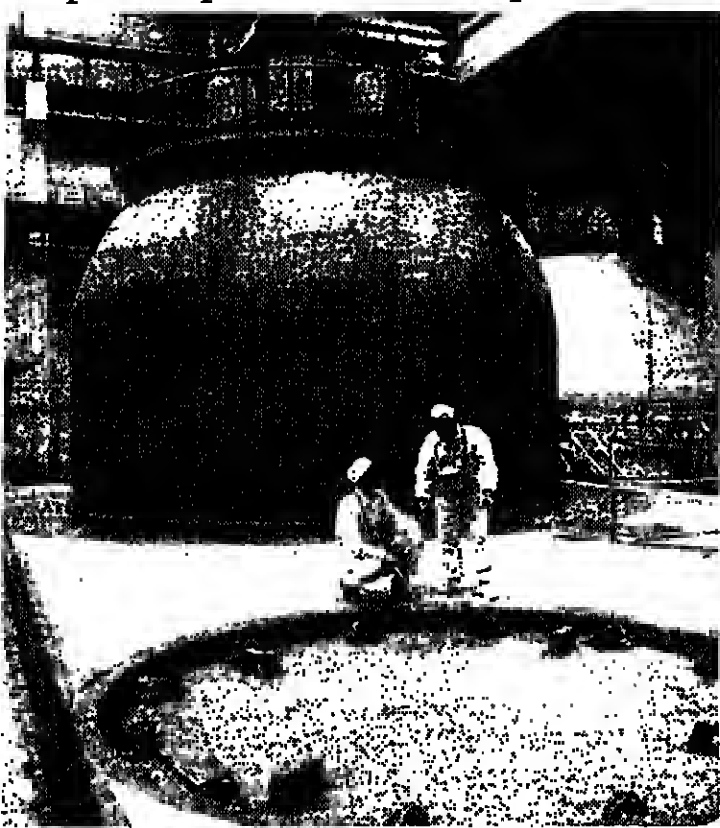
"We hope we can complete the project within 18 months and set up a model of how it can be done for other recipients of grants."

But it is clear the west must provide much more funding if the project is to fulfil its long-term aim of seeing units one to four closed down.

The Bulgarians are adamant the country needs nuclear energy and say Kozloduy supplies between 35 and 40 per cent of the country's electricity.

Containing a spent force

Virginia Marsh looks at G7 plans to make Bulgaria's Kozloduy nuclear power plant as safe as possible



Kozloduy was once described as Europe's most dangerous nuclear plant

Due to the ageing of the country's non-nuclear plants, this share could rise to 50 per cent, according to Yanko Yanev, chairman of the Bulgarian Nuclear Safety Authority (RNSA).

He says the country will not close down the reactors until it can finance the upgrading of Kozloduy's remaining two 1,000MW units. "We are willing to co-operate but we cannot accept some sort of conditionality."

"We are trying to look for energy options which will permit closure of units one to four, although three and four are relatively new."

But the two 1,000MW units could cost \$500m (£357m) each to modernise and be made more reliable. They are considered safer than the 440MW reactors as they have containment facilities, but have proved to be a less dependable source of electricity than the older units.

Last September a fire in unit six closed the 1,000MW units - they share a common spare power supply.

Shervashidze is hoping the EBRD will also help Bulgaria to secure commercial loans for the upgrading work and for a second nuclear project on the Danube at Belene which is 60 per cent complete.

But the country looks like having little chance of raising substantial funding from the west - negotiations with the London club of commercial banks over Bulgaria's \$11bn debt broke down again in July.

Also, many western countries and institutions, notably the World Bank, believe that nuclear energy is no longer cost-effective and will not finance new nuclear plants.

Ivan Uzunov, professor of atomic energy at Sofia University, believes Kozloduy and other Soviet-built reactors in the region can only be made to pay if safety standards are compromised. Uzunov, who has advised western countries such as Austria and Italy on nuclear policy, says a grant of Ecu24m is "absolutely nothing" compared with Kozloduy's immediate needs.

He acknowledges the plant's safety has improved substantially in the past two years, but says he is still not satisfied that units two and three are sound enough to operate or that the plant's 7,000 employees have had enough training.

But his main concern is the build-up over the past three years of 600 tonnes of spent radioactive fuel elements at Kozloduy which are being stored in pools of water. In cold war days, these were reprocessed by the Russians at little cost to the Bulgarians. Now, the country faces reprocessing bills of \$1,000 per kg.

Shervashidze says Kozloduy has storage space for the spent fuel elements for two more years. He hopes that by then, Bulgaria will have built dry storage facilities - but again, this requires financing. Uzunov would like to see alternative storage facilities built as soon as possible.

He says that an explosion at the Soviet Kishin nuclear plant in the Urals in 1987 was caused after 70 tonnes of spent fuel elements overheated due to a shortage of water; parts of the region are still contaminated.

He also believes the Bulgarian authorities have not received enough independent advice and have been influenced by the western nuclear industry, hungry for new orders in eastern Europe due to falling domestic demand.

As an alternative to spending on nuclear energy, he is lobbying for western help to improve energy efficiency at conventional power plants and increase Bulgaria's connections to international gas pipelines and electricity networks.

Suchard grazes on green pastures

Frances Williams reports on a 'feel good' factor that counts

Tree planting and chocolate may not seem to have any obvious connection. Yet Jacobs Suchard, the Zurich-based chocolate and coffee group, was delighted three years ago to accept sponsorship of reforestation projects in the Alps.

"The idea could have been invented for us," says Walter Anderer, head of corporate affairs. The connection is supplied by the lilac Milka cow, a symbol of one of Jacobs Suchard's most popular chocolate brands. By protecting the habitat of the Milka cow - a Simmental cow painted lilac for Suchard's packaging - the message that the chocolate is made from healthy Alpine milk is made more credible, he argues. Jacobs Suchard's main markets are Germany, France, Switzerland and Austria, all with Alpine regions.

Since 1991, Jacobs Suchard - part of US products conglomerate Philip Morris - has sponsored the planting of 300,000 trees in five countries as part of its collaboration with Alp Action in the "Green Roof for Europe" campaign. This is the biggest of the 30 projects launched by Alp Action, founded by Prince Sadruddin Aga Khan to mobilise corporate funding for environmental protection in the Alps.

The project, which has cost Jacobs Suchard more than Sfrim (\$444,000), has involved thousands of children and plays a key role in its marketing strategy.

Last week, Alp Action and Jacobs Suchard staged a tree planting event at Lenk, home of the Milka cow, to mark plans to continue their "Green Roof for Europe" partnership. Reforestation projects are scheduled for Austria, France, Germany, Italy, Slovenia and Switzerland over the next two years.

Jacobs Suchard's concern for the environment does not stop with tree planting. Since 1986, it has sought to "green" its activities across the board.

It started with a rethink of packaging requirements, necessitated by the need to streamline packaging inherited from acquired companies. The group has since extended its environmental concerns to production, transport and its housekeeping.

Jacobs Suchard uses a recyclable plastic monofilm for its Milka Lilac Pause chocolate bar which is cheaper, "greener" and attractive to consumers. Its redesigned chocolate boxes have saved up to 50 per cent on packaging and dispensed with polyvinyl chloride.

Similarly, coffee in Germany is sold in vacuum packs containing practically no aluminium. With the same product protection, Jacobs Suchard claims to have reduced waste by 47 per cent. Energy use by 37 per cent and water consumption by 48 per cent. The company plans to extend mono-packs to all markets.

Further down the chain, the group uses multi-unit pallets of recyclable materials for shop deliveries. These pallets are later collected and re-used. In this way, Jacobs Suchard has cut the total amount of primary and secondary packaging by 5 per cent - 10,000 tonnes - in three years.

Fuel use per cubic metre transported by the company has been more than halved from 1987 levels. Packaging has been redesigned and standardised with efficient packing and transport in mind. Cocoa and coffee beans are increasingly shifted by rail in special bulk containers; half the tonnage moved by Jacobs Suchard last year went by train against 5 per cent in 1987.

All this greenery is, says Anderer, more a "feel good" factor than a big money saver. Financial costs and benefits are often difficult to identify. Environmental objectives are just one factor in the investment in new packaging or factory modernisation.

The company has invested directly about \$2m (£15m) since 1977 on environmental protection measures. This includes \$4m on its new chocolate factory in Berlin and \$3m (with \$10m more planned) on its Lärach facility near Basel. Anderer reckons these costs probably offset a large part of the savings from pro-environment activities.

However, the "feel good" factor counts, for Jacobs Suchard's workers and its consumers. At Lenk, Jacobs Suchard launched a programme to plant a tree for every baby born to an employee's family, an Alpine farming tradition.

FT EXPORTER



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Thompson: no rank outsider

David Thompson, until the beginning of this week non-executive chairman of Rank Xerox in the UK, yesterday moved to Gestetner Holdings. The office equipment distributor has been looking for a part-time chairman since May, when Inchcape took a 15 per cent stake and Australian entrepreneur Basil Sellers, who had been chairman and chief executive as well as, indirectly, a substantial shareholder, gave up his executive responsibilities.

In the photocopy market, Rank Xerox and Gestetner are competitors in the medium and smaller machines. Thompson, 61, who admits to a "slight lump in the throat" at leaving the company for which he has worked for 27 years, felt far too young to retire. Hence, when presented with the current opening, his reaction was



simply one of "why not?". He adds: "With all the wisdom of 12 hours' experience, it looks as if Gestetner has a reasonable operating structure. It is quite strong in Latin America, and doing reasonably well in the Far East. Europe is poor, but so is for most companies." In May, a fellow countryman of Sellers', Greg Megard, was appointed group managing

director. Thompson says there will be "an executive finger" to the job, which will entail "taking a close interest in the financial aspects of the business".

Meanwhile Sellers stays on as a Gestetner non-executive director. "The classic assumption is that we will be tripping over each other," Thompson acknowledges, but is adamant that this will not be the case. "We have talked about it," he says firmly.

He expects to be in the chairman's seat "circa three years, maybe longer... if my performance is satisfactory". Coming to office machines via the colonial police in the former Northern Rhodesia, Thompson moved to IBM, working in the UK and the US, before joining Rank Xerox. He has been chairman of Rank Xerox UK since 1990.

Young quits ITN for BBC

Mark Young, for two years head of business affairs at ITN, is to follow his former boss Bob Phillips, now BBC deputy director, to the BBC.

He starts next Tuesday as chief assistant to the deputy dg - who was poached by the BBC from his job as chief executive of ITN in January. Young will provide back-up across the whole range of Phillips's responsibilities, which include the managing directorship of the BBC World Service and co-ordinating the BBC's international commercial and resource activities.

Young spent his time at ITN looking at new business opportunities and drawing up business plans. He was also part of the team which put together a London radio franchise application for a consortium in which ITN has 20 per cent.

Before joining ITN he was a consultant in the media group at Coopers & Lybrand Deloitte.

John Hakes, chief executive of Thorn EMI Security and Electronics, the company's defence electronics arm, is to take immediate "early retirement" as part of a radical

shake-up at Thorn EMI's defence arm.

The changes follow Thorn EMI's failure to sell its defence electronics business to GEC, despite months of negotiation. For at least a year it has been clear that Thorn wants to concentrate on its music and rental businesses, and to dispose of non-core activities. However, it seems that Lord Weinstock was unprepared to pay anything like Thorn's asking price, which is thought to have been in the £150m range.

Hakes' retirement follows the resignation last month of John Taylor, the company's former defence systems managing director.

Insurance moves

Hugh Prior has been appointed deputy chairman and Rolf Horst to the board of BMS RE, part of Ballantyne, McKean & Sullivan.

Jonathan Coote has been appointed deputy md of SUN ALLIANCE GROUP PROPERTIES, and not of Sun Alliance as stated on August 17.

Brian Jamieson has been appointed company secretary of REFUGEE GROUP and Refuge Assurance. Derek Whitehead has been appointed FT director of Refuge Assurance.

Nancy Kinck has been appointed actuarial & research director of LONDON & EDINBURGH INSURANCE GROUP.

John Martin has been appointed group finance director of PEGASUS ASSURANCE GROUP.

David Reed has been appointed md of ASHLEY PALMER HOLDINGS and Ashley Palmer Syndicates. David Margaret (below) md of LOWNDERS LAMBERT's UK operations, is now responsible for the group's operations worldwide.



Pilsworth selects Chrysalis

SelectTV, the independent production company that was earlier this year upset by wranglings between co-founders Michael Buckley and Allan McKeown, is losing its managing director Michael Pilsworth, who had been in charge of the UK side, to Chrysalis.

Pilsworth joins as managing director and chief executive of the newly created visual entertainment division, which groups together a number of operations including the TV production company, the home video operation and Red Rooster Film.

Last November, Chrysalis brought Steve Lewis on board from Virgin to head up the

music division, and group chairman Chris Wright says the senior management team is now complete.

Pilsworth, 42, says he had been talking to Wright, whom he has known since student days at Manchester University, for the past year. But it was not until now that he felt he could leave SelectTV so that the transition, in what is a very small company, would be "as seamless as possible". McKeown is returning from Los Angeles, where he had been based, having opted to run down the US operation. Buckley was ousted as chairman in March.

"For me Chrysalis is a fan-

tastic global brand name in the record business; it provides a great opportunity to capitalise on that goodwill for the visual entertainment side."

Chrysalis is also targeting a younger audience, in terms of mentality and cultural interests, if not in age.

Hence it was no accident, Pilsworth thinks, that SelectTV executives were avid golfers when he was not. Now, by contrast, he is about to take an intensive tennis course in Spain.

A lecturer in psychology at Manchester before he joined LWT as research assistant in 1986, Pilsworth moved to TVS before joining SelectTV.

Television/Christopher Dunkley

Scrambled Sky at a premium

Sky Television is currently urging satellite viewers to phone for details of "A brand new Sky". Do so and you receive a 36-page sales brochure which declares "Summer's here and there's a completely new look to satellite television on the way. The Sky Multi-Channels Package will be the most exciting thing to hit your TV screen in years. There are brand new channels to satellite (sic) and a new way of receiving all your current favourites. Sky Multi-Channels launch on September 1, so hurry to page 11 to read all about it. You could also win a brand new Vauxhall..." This seems to be Sky-speak meaning "From September we shall be adding new channels to the output. Most of the material will be American. At the same time we shall scramble the signal on all but one of the Sky services so that we can charge you for what you were previously watching for nothing. You could also win a brand new Vauxhall..."

The minimum "package" of 12 scrambled channels will cost £4 a month for the remainder of this year and then £7 a month from January. That will bring you the general entertainment channel Sky One, the Children's Channel, the British repeat channel UK Gold, and the nine new channels listed below. Add to that package one of the "premium" channels (The Movie Channel, Sky Movies Plus, or Sky Sports) and the price goes up to £12 a month. For all three it is £20 a month. With the two top price packages you get Sky Movies Gold thrown in, though it is neither a premium channel nor part of the basic package. Thus the lowest priced Sky package will, from January 1994, cost £34 a year, £1 more than the BBC licence fee. If you take all the Sky services it will cost £240 a year.

What about those in Britain's 25m satellite homes who bought their dishes on the understanding that the cost of the hardware, currently around £200, would be all they had to pay, not realising that encryption and subscription would follow? Since the dishes pick up all signals transmitted via the Astra satellite (actually three satellites now in the same position, with 43 channels already useable and more to come) there are still many channels which are either owned by Sky or marketed as part of the Sky package which can still be received in clear, though most are German or Dutch language services. English language channels which will continue, for the moment anyway, to be available free to those who cannot afford to pay another £24 a year, or who simply decide to resist Sky's urgings, will be Ted Turner's global news network CNN, Sky News (which is presumably staying unscrambled to compete with CNN), the 24-hour rock video channel MTV, Eurosport, and Turner's Cartoon Network which is due to arrive soon.

And what are those "brand new channels" which Sky is

offering as an inducement to pay a subscription? There are nine: The American children's channel Nickelodeon. A 24-hour home shopping channel called QVC ("quality, value and convenience"). The Family Channel showing series such as *Remington Steele* and *Big Brother Jake*. Discovery, a factual channel specialising in wildlife, travel, "adventure", etc. Two more all-music networks: CMT, or Country Music Television; and VH1, or Video Hits One, which seeks to be an adult version of MTV "for the generation that grew up with the music". A women's channel called UK Living, described by Lisa Howell, head of programming, as "the elastic waistband" station; she warns that it will be "domestic" and "undemanding". Two American "retro" channels: Nick At Night which claims to be "dedicated to the preservation of television's heritage", and Bravo which promises "treasures from the vaults".

This appears to be the sort of

There is a very long way to go in anything other than news and sports programmes before satellite and cable can be seen as anything other than re-packaging parasites

"niche programming" that we have so long been told is the natural outcome of the multi-channel systems brought in by satellite and cable. UK Living will presumably screen British material, though only 21 of its 16 hours a day will be original programming, and perhaps QVC's goods will be British, though we shall have to wait and see. Marketing programmes currently filling space time on some satellite channels at night seem to sell only American products - plastic house painting kits, kitchen knives, car cleaners - with "programmes" made in the US even though the presenters are invariably British. Those services aside, it looks as though these nine networks will consist almost exclusively of American material, most of it old, some of it quite astonishingly so.

Few of these new - well, new to Britain - channels have even started test transmissions yet, but Bravo and Discovery have been running in clear for a couple of weeks, so it has been possible to get an idea of what they, at least, have to offer. The answer is a strong whiff of nostalgia, an overpowering sense of American cultural values, and a feeling of stringent budgets.

There is some British material here: on Discovery I have seen *Belamy's Bird's Eye View* and several *Loch Ness Updates* covering a scientific hunt for a monster. There was even a European programme on Saturday evening, a 60-minute production called *Airbus*, about the building of the aeroplane, but as this droned on - "Here's the comfortable six-abreast

business class... comfort on board is unique... preparation has been patient and minute in its details" - it became impossible to believe that it was not, literally, a promotional video produced by the marketing department of Airbus Industries. Perhaps they paid Discovery to screen it. I hope so.

More common are old American programmes such as *The Story Of Rock And Roll* which includes Joan Baez, Bob Dylan, and The Byrds but excludes The Beatles. The Rolling Stones and anybody else who happens to be British. The subject of Friday's *Biography* was Joe Di Maggio, baseball player and Marilyn Monroe's sometime husband from the 1950s. The footage was, like much on Discovery, in black and white. In case you missed them *Airbus* and *Biography* were repeated mid-evening on Saturday, having also been shown the previous Tuesday. *American Caesar* turned out to be an old black and white documentary about General MacArthur.

Bravo's material is even more consistently black and white than Discovery's, and although it does include old British B-movies (an antique Edgar Wallace called *To Have And To Hold* with William Hartnell and Ray Barrett as detectives, the 1965 "silent" black and white comedy *A Home Of Your Own* with Willie Rushton, Bernard Cribbins and others on a building site, and so on) it, too, relies mainly on geriatric American television series. Friday brought *Car 54 Where Are You?* followed by *The Doris Day Show* and, later that evening, one of the oldest American series I have ever seen on British television: *Art Linkletter And The Kids*. It is amazing that these exist at all, having been in the fifties and, I suspect, even the late forties.

We seem to be rapidly reaching the point where the world's (well, Britain's and America's) entire stock of old television programmes is being run on one channel or another all the time. It is, no doubt, a cheap way of filling schedules, in which case we may wonder why we are asked to pay such a relatively high price. Though there are 12 channels, with possibly more to be added, they contain far fewer original programmes than the BBC's two channels or ITV and Channel 4. True, in October Sky One will be the first channel in Britain to screen *Queer*, sequel to the two Roots series (American of course) and the network is currently in the process of producing a dramatisation of the Ken Follet novel *Red Eagle*, the first time they have ever done such a thing rather than buy from the American and Australian stockpiles.

However, there is a very long way to go in the origination of drama, documentary, comedy, arts - virtually all types of programme other than news and sport - before satellite and cable can be seen as anything other than re-packaging parasites. The technology may be wonderful but we do not watch the technology, we watch the programmes.



Louise Bangay and Andrew Hawkins: faced with a daunting task in Shelley's drama

Theatre/Andrew St George

The Cenci

The brief career of Percy Bysshe Shelley (1792-1822), poet and aesthete, strayed into drama in 1819 with *The Cenci*, an ungainly tragedy heavily staged by The Damned Poets Theatre Company at the Lyric Hammersmith Studio.

The Cenci is domestic horror from 1599. The debauched and lecherous Count Francesco Cenci, quavering on the edge of sanity, tyrannises over his household. Only his daughter, Beatrice, stands up to him. But when he rapes her, the rest of the family, egged on by a slippery cleric, Orsino, has Cenci strangled to death while he sleeps. The murder is discovered by an emissary from the Vatican with a warrant for Cenci's arrest; instead, he arrests the family. Beatrice's brother and step-mother confess under torture, and are sentenced to death.

While Shelley was writing this, his sister was turning out the much more popular and profound *Frankenstein*. Instead of modern science fiction, Shelley looked back to Greek tragedy and to Shakespeare, the unacknowledged hero of the play. Cenci is murdered while he is sleeping, like Duncan in *Macbeth*; and the assassination is set about with strange noises and finished off with a knocking at the castle gate, again like *Macbeth*.

Shelley's friends felt the same way: the English Romantic poets reinvented Shakespeare to their own image. Keats was haunted by the sound of the surf in *King Lear*; Coleridge thought he was Hamlet, and managed three plays himself. But one wrote a play in this obscure-Shakespearean style.

The verbal actio is unre-

mitting. Every character comes on impelled to speak, and, in accordance with Shelley's views on language, everyone here speaks in metaphors so convoluted that it is hard to grasp the point of each scene. The melodramatic plot has a dreadful claustrophobia about it. The actors are bunched and squashed into a small versatile set (Bruce Gallip) which transports the action from court to prison with a speed Group 4 could usefully copy.

The acting, under the uncanal direction of Sydney Blake, responds to the excesses in Shelley's text. The effects on stage range from pointless bluster and overdone pauses through to genuinely felt lines, experienced as they are delivered. Louise Bangay as Beatrice and Craig Pinder as Cenci have an uneasy time settling into the mutual loathing Shelley scripted for them, but Bangay manages to find variety in her roles as abused daughter and fiery avenger.

Other highlights are Andrew Hawkins as a limber prelate, and Stanley Lloyd as a politic cardinal. Elsewhere the acting was too frenetic and over eager to do the work of Shelley's own energetic verse.

Despite the intractability of Shelley's drama and the excesses of the actors faced with the daunting task of putting it on stage, this *Cenci* is worth seeing. The company should be applauded for its nerve. Shelley was writing, as Beatrice says, of "deeds which have no form, sufferings which have no tongue," and it is a bold enterprise to try to stage them.

Lyric Hammersmith Studio until September 11 (081 741 6701)

The Edinburgh Festival

Theatre at the Traverse

Ever since it moved (less than two years ago) to its new premises the Traverse has become a hub of Edinburgh life. Especially in Festival time. Even if you are not going there for shows, you use its café (from 10 a.m. till midnight), you use its bar (open till early hours), you bump into old chums there. And this year, there is also the new Atrium restaurant. The old Traverse crowded you; this one has space.

If you go to Fringe theatre, the Traverse is on your map anyway. This year, even the official Festival has used Traverse terrain, to present the opera double bill *Anna and Tourist Variations*. But, for most of the Festival the Traverse is a core venue for Fringe plays. Either of its two auditoria is currently showing four different shows per day (except on Mondays, from 12 noon until 12.30 a.m. plays and actors from Scotland, England, Spain, Belgium, Canada, the States, South Africa. I report here on five Traverse plays from the start of the Festival.

Penetrator (Traverse 2, world premiere), written and directed by Anthony Neilson, is the best Fringe play I have seen so far in '93 (I write this on Day 8). The worst thing I can tell you of it is that the advance blurb describes it as "a taut and harrowing journey into the ferocious heart of masculinity" - though it is taut and harrowing, it is a journey into masculinity, and it sure gets ferocious. It is also a thriller about three young Scotsmen, two of whom are ostentatiously heterosexual and occasionally tease the third one that he's a poof; but all is not as it seems. The title warns you, *Penetrator* is about sex and threatened death. The real "thriller" aspect of it, during the long and terrifying knife-point climax, is its series of psychological revelations. Neilson is at his least canny in pacing the final ten minutes, which seem more neat and contrived though still psychologically riveting. More than that I will not say, except to warn off those who are alarmed by ten-inch knives

and four-letter words; and to praise B.J. McMurphy, Alan Francis and James Cunningham for the exceptional conviction and fluency of their playing.

The Edinburgh Festival often gives Londoners a chance to catch up with what we missed back home; and I am grateful for the chance to catch up with the Riddulous Theatrical Company (Traverse 2), the New York troupe which recently played at the Drill Hall. *Brother Truckers*, by George Osterman, is described as "a Comedy Noir" and "the B-movie story of the men who haul trash and the women who love them": which is fair enough. It too is about sex and death - but is a hilarious exercise in intense camp.

The heroine, Lyla Baskin

Alastair Macaulay finds sex, death and more hilariously camped up

(Everett Quinskin), is a brilliant Barbara Stanwyck type (with dashes of Bette Davis, Mae West, Joan Crawford and Joan Blondell). The snake-like way she darts her tongue as she names her lover ("Lech", as in Wales), the smouldering way she hisses out lines like "If you were as bright as your Cleirol treatment, you'd know", and her final mad scene are highlights amid wonderful ensemble playing. I'm not sure, but I think my favourite lines was "I'm having difficulty breathing, and with all due respect to the House of Chanel, this dress isn't making it any easier."

Speaking of camp, Neil Bartlett's *Night after Night* is playing in Traverse 1; but enough already - I covered that upstairs at the Royal Court some months ago. Speaking of men, the Spanish show *Musi!* (Traverse 1) is a largely mime cartoon about four matadors. I laughed about six times (it is a 70-minute piece), and I object to the performers' mugging and winking each joke dry. True, it is good to know that Spaniards are

laughing about both bullfighting and the cult of machismo. But, these days, who isn't? Comunque, the Scottish theatre company, is presenting its largely non-speaking version of Flaubert's *The Legend of St Julian* (Traverse 1) with just seven performers. You can tell in the first five minutes that the director Gerry Muller has a flair for poetic stage pictures, for pity atmosphere evocation, for real theatre magic; and, also in the first five minutes, that he hasn't the rhythm to keep his storytelling taut - and the show lasts 135 minutes. Flaubert's medieval tale is laconic. Muller catches some of its events with striking economy; but he draws out others, and allows composer Jim Sutherland to overdo the mysterious sound effects.

Sleeping With You (Traverse 2) is the only one-man play the Traverse is presenting this year. Written by Godfrey Hamilton and played by his lover Mark Fintosh, this piece comes from Hamilton's Starving Artists Theatre Company. Despite the fact that it is a deliberate vehicle for one person's actorly virtuosity and a piece of socio-political agitprop (two big minuses in my book), it is arresting, varied, intelligent, touching and funny - standing both inside and outside its subject.

In *Sleeping With You*, Fintosh plays both Marco and Andrew, shows their affair from different slants, depicts the whole sleazy scene of Hawaii gay hustlers, speaks of gay promiscuity, of serious gay love, and of AIDS. Then he relates the big gay march on Washington D.C., the organisers yelling "I need to tell you we only have a permit for civil disobedience in this area"; and the "pale queers" from Wisconsin chanting "We're tired, we're bitchy, we want our rights now." Any play that can suddenly make you guffaw out of the blue after an hour, and that can laugh at the cause it preaches, has real control.

Brother Truckers and *Night after Night* continue until August 29. *The Legend of St Julian* until September 4

Novelty concerts from Spain

Away from the main themes of the festival there has been a delightful pair of concerts from Spain. The Orquesta de Cambra Teatre Lliure arrived in Edinburgh without much of a fanfare and offered little biographical information about itself except that it was founded in 1985 by the conductor Josep Pons and performs 20th-century repertoire.

Its calling-card comprised two imaginative concerts: a pair of Spanish programmes, one of music by Manuel de Falla, the other of Roberto Gerhard, composers from very different artistic backgrounds. If they have one trait in common, it is a liking for strongly contrasted colours, as we heard quite vividly. The Edinburgh prospectus had advertised the orchestra as "brilliant", an epithet which did not seem excessive after the event.

The Falla concert was held in the Usher Hall, but probably should not have been. Despite an audience turnout which justified the use of a large hall, the chamber versions of the

scores that were being played could hardly make the impact they deserved. For one work - Falla's pithy *Harpisichord Concerto* (wisely performed here in an alternative version for piano) - there were only six players on the platform.

Given the novelty of the pieces the orchestra had brought, one really wanted a concert with the players as possible. Two of Falla's most popular works were on the programme, but each in a rarely-heard original form: *El corral de la morisma* (later to spawn *The Three-cornered Hat*) and the first version of *El amor brujo*.

The second was the eye-opener, both because it is longer than the usual version and because its nature is so different. Originally the music developed out of a chain of recitation, songs and dances. It was described as a "gitaneria", or gypsy-piece, folk music at heart in a way that one could hardly guess at from the orchestral showpiece we usually hear. The singer, Ginebra Ortega, gave us real Flamenco

in the songs, guttural, raw, full of passion - no concert-hall sophistication there.

For the Gerhard programme the orchestra moved to the small Queen's Hall. An irony this, as there were now more musicians on stage than for the largest of the Falla scores. But this was to Gerhard's advantage and even the two immediate Spanish works that had been included, the Flamenco divertimento *Alegrias* and the song-cycle *Canciones de Pedrell* based on Spanish folksongs - came across with some bite and flair.

I suspect there is not much of the true Gerhard in either of those. A short cycle of songs in French by a Catalan poet in the Japanese style proved to be attractive, precious, not particularly distinctive. It was the ballet score *Pandora*, composed in Cambridge in 1942-3, that best showed how romantic and avocetic this composer can be, its sense of enveloping doom typical of the war years.

Richard Fairman

INTERNATIONAL ARTS GUIDE

BAYREUTH

The final three performances of this year's festival are Werner Herzog's 1987 staging of *Lohegrün* (tomorrow), with a cast led by Paul Frey, Eva Johansson and Ekkehard Wächter; Dieter Dorn's 1990 production of *Der fliegende Holländer* (Fri), conducted by Giuseppe Sinopoli, with Bernd Weik as the Dutchman and Sabine Hass as Senta; and Heiner Müller's new production of *Tristan und Isolde* (Sat), conducted by Daniel Barenboim and designed by Erich Wonder, with Siegfried Jerusalem and Waltraud Meier in the title roles. Next year's festival will include a new Ring production conducted by James Levine and staged by Alfred Krieger, with John Tomlinson as Wotan, Wolfgang Schmidt as Siegmund and Deborah Polaski as Brünnhilde (0921-22221).

BERLIN

This year's festival (Aug 31-Sep 30) is a meeting point between Europe and Japan, with

performances by Tokyo Ballet, New Symphony Orchestra Tokyo, traditional Kabuki and Noh theatre companies and other Japanese ensembles. There will also be an exhibition at Martin-Gropius-Bau entitled *Japan and Europe 1543-1929*, with more than 500 objects tracing the development of Japanese art and the influences which Japanese and European art have had on each other. The main orchestral concerts are conducted by Abbado, Ashkenazy, Barenboim, Maazel, Norrington, Sanderling and Tennstedt. Alfred Brendel and Maurizio Pollini play Beethoven piano sonatas, and there will be a series of Bach recitals featuring Andras Schiff, Peter Serkin, Bruno Canino and Yo Yo Ma. Peter Brook brings his Paris-based company with *L'homme qui* (Berliner Festspiele Kantonbüro, Budapestler Strasse 50, D-10787 Berlin, Tel 030-254890 Fax 030-254 8911).

BESANCON

Besancon's prestigious conductors' competition coincides with its annual music festival, which runs this year from Sep 4 to 17. Guest ensembles include the Czech Philharmonic under Gerd Albrecht, the Orchestre National de France under Charles Dutoit, the Orchestre National de Toulouse under Michel Plasson and the Hilliard Ensemble. There will also be a special Maurice Chana commemorative concert given by Les Percussions de Strasbourg (8181 8226).

HEIDELBERG

The final week of this year's open-air

festival at Heidelberg Castle features Cav and Pag. Berg's *The Student Prince* sung in English, and Haydn's rarely staged *L'isola disabitata* (06221-583521).

HELSINKI

The festival, celebrating its 25th anniversary, opened last night and runs till Sep 12. This week's programme includes recitals by Jesse Norman, Julian Bream and Tokyo String Quartet. Next week's programme is dominated by orchestral concerts conducted by Jukka-Pekka Saraste, Leif Segerstam, Marek Janowski and Esa-Pekka Salonen, who brings the Swedish Radio Symphony Orchestra for two programmes including music by Bartok, Lutoslawski and Lindgren. There are also performances by Ingun Bjornsgaard Dance Company, Susanne Linke Dance Company and the Avanti ensemble, which brings classical and modern Islamic music from Turkey (864466).

LINZ

This year's Bruckner Festival runs from Sep 11 to Oct 3. The opening performance of the Eighth Symphony will be given by the Bavarian Radio Symphony Orchestra conducted by Lorin Maazel. Other visitors include the Hilliard Ensemble with a programme of choral music by Bruckner, Part, Purcell and Cage. I Solisti Veneti with works by Respighi and Wolf-Ferrari conducted by Claudio Simone, and the Russian pianist Lazar Berman. Horst Stein conducts the Bamberg Symphony Orchestra in Bruckner's

First Symphony, Philippe Herreweghe conducts La Chapelle Royale in Bruckner's music by minor with wind accompaniment, and the final two concerts are given by the London Philharmonic under Franz Welser-Möst (Brucknerhaus-Kasse, Untere Donaulände 7, Postfach 57, A-4010 Linz. Tel 0732-775230).

PICARDIE

The handsome collection of cathedrals and châteaux in the region surrounding Amiens north-east of Paris provides the context for two weeks of concerts (Sep 10-25) spread around 13 different towns. Hungarian music and musicians are strongly represented this year: the Children's Chorus of Hungarian Radio gives three concerts featuring music by Liszt, Kodaly and Bartok, while the Hungarian State Symphony Orchestra and Erkel Chamber Orchestra include works by Leo Weiner and Liszt in their programmes. Yuri Bashmet gives a recital, Joshua Rifkin conducts Bach's *B minor Mass* and Philippe Herreweghe directs Monteverdi's *Vespers* (0545 3185).

PRAGUE

In addition to the Prague Spring Festival, the Czech capital has in recent years built an autumn music festival around the distinguished violinist Josef Suk. Entitled Festival of Music Prague, it consists of recitals, chamber music concerts and small-scale orchestral and choral concerts. This year's event runs from Sep 20 to Oct 5, and

features a strong dose of Beethoven, Bach and Mozart alongside familiar and less familiar Czech composers. In addition to the Suk Chamber Orchestra, artists at the festival include Yo Yo Ma, Maurice André, Cecile Licad, Rudolf Buchbinder, Viktoria Mullova, Shlomo Mintz, Renato Bruson and Sándor Végh. Among the more exotic programmes is a choral concert on Sep 25 pairing Schubert's *Mass in G* with a Stabat Mater by the late 18th century Bohemian composer Johann Baptist Vanhal. Bookings from Festival of Music Prague, Cs armady 12, 160 00 Prague (fax 525583) or Bohemia Ticket International, Salvatorova 6, 110 00 Prague (fax 231 2771).

TURIN

Settembre Musica (Sep 1-19) features two concerts per day, one in the afternoon and one in the evening, with a total of 18 free events in baroque churches or open-air piazzas. The opening concert this year is given by the Scala Philharmonic Orchestra under Riccardo Muti. Other guest ensembles are the Bavarian Radio Symphony Orchestra under Lorin Maazel (Sep 4), the Czech Philharmonic with Gerd Albrecht (Sep 5), English Chamber Orchestra with Pinchas Zukerman (Sep 6) and the Kronos Quartet (Sep 6). The festival also has a reputation for contemporary music: a series devoted to Schnittke (Sep 7-11) and two concerts by Ensemble InterContemporain under David Robertson and Pierre Boulez (Citta di Torino, Assessorato per la

Cultura, Piazza San Carlo 161, 10123 Torino. Tel 011-576 5584 Fax 011-542801).

WARSAW

Despite the presence of chamber ensembles from Lithuania, Czechoslovakia and the Netherlands, this year's Warsaw Autumn contemporary music festival (Sep 17-25) has a less international look than in the past two years, apparently because of economic problems. Nevertheless, the festival continues to provide a worthwhile international platform for Poland's lively contemporary music scene, with prominent contributions from Penderecki, Lutoslawski and Gorecki (Warsaw Autumn, Rynek Starego Miasta 27, 00272 Warsaw. Tel/Fax 022 310507).

WEXFORD

For this year's festival (Oct 14-31), artistic director Elaine Padmore has come up with a classic Wexford trio of unjustly neglected or forgotten operas, with six performances of each: Tchaikovsky's beautiful *Cherivichki* (The Tsarina's Slippers); Paisiello's *Il barbiere di Siviglia*; and Zampa, Hérold's once-popular 19th century opera-comique. A full concert schedule gives prominence to Wexford's young singers. Tickets from Theatre Royal, High Street, Wexford, Republic of Ireland (053-2214).

ARTS GUIDE

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European Cable and Satellite Business TV

(All times are Central European Time)
MONDAY TO THURSDAY
Sky Channel: European Business Today 0730, 2230
Monday: Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630
Wednesday: Super Channel: Financial Times Reports 2130
Thursday: Sky News: Financial Times Reports 2030; 0130
Friday: Super Channel: European Business Today 0730, 2230
Sky News: Financial Times Reports 0530
Saturday: Super Channel: Financial Times Reports 0530
Sky News: West of Moscow 1130; 2230
Sunday: Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Three months ago, Mr Michael Portillo, the youthful chief secretary to the Treasury, made an uncharacteristic error of judgment.

The issue of Britain's public finances, he opined, did not get the kind of public attention that it should enjoy. It was "too technical and arcane to evoke consistent interest from media or the public."

Since making that remark in a speech to the annual dinner of the Association of Investment Trust Companies, the state of UK's public finances has hardly been out of the headlines. Not a day goes by without some reference to the seditious public sector borrowing requirement expected by the government for the current financial year or its implications for the government's first unified Budget on November 30.

The Tory party, hardly pausing for breath after the conclusion of the bruising Maastricht debate, is displaying new divisions over the prospect of painful spending cuts and possible additional tax increases next year.

Since returning from holiday at the beginning of last week, Mr Portillo, 40, who is currently deputising at the Treasury for Mr Kenneth Clarke, the chancellor, has seemed in perpetual motion from radio car to television studio to discuss the public finances.

Yesterday, looking bronzed and relaxed, he put his views to the Financial Times.

The government had two tasks to achieve. The public finances had to be put onto a sound basis, which meant reducing the borrowing requirement. Indeed, "it is essential for the Conservative government to go into the next election with a reputation for sound public finance and in a position where it can explain that it has the public finances in a state where it can plausibly show the path to a low tax economy".

The second task, he said, was to make sure that the amount of national income which is taken by the state was reduced.

"We are committed to that in the manifesto," he said. "In other words the proportion within gross domestic product represented by public spending must be cut. And even if we had a balanced budget today I would be looking to reduce the proportion of GDP spent by government because I believe that the state is too big, people are looking to the state to do too much, and the proportion

Sound money man

Michael Portillo talks to Peter Norman about tough choices on spending

of our GDP spent by the government imposes too great a burden on the wealth-creating sector."

But, in remarks clearly addressed to the Tory right, anyone thinking that this could be achieved easily by cutting public spending was living an illusion.

Mr Portillo insisted that the discussions on public spending being conducted by senior cabinet ministers in the so-called EDX committee were going well. But the government's

'I believe the state is too big and people are looking to it to do too much'

public spending goals, expressed in terms of its so-called control total, of £254bn in 1994-95 and £263bn in 1995-96 were "very tough indeed".

The control totals, which exclude part but not all of the rises and falls in public spending caused by vagaries in the business cycle, were coming under pressure. "Our present plans would indicate no real terms increase in the control total between this year and next year, and next year and the year after," and yet certain programmes within the totals were rising faster than inflation.

These included social security, where non-cyclical payments are rising in real terms by about 3 per cent a year, health, education, legal aid and payments to the European Community's common agricultural policy. The government was therefore faced with two difficult tasks.

"One is to constrain the rate

of growth of those demanded-led programmes, and the other is to find offsetting savings in other programmes."

The problems of rising social security spending are the subject of one of a series of reviews by the Treasury that are expected to set guidelines for reducing the size of state activity over the medium and longer term. But this process was also informing the options available to the government this year.

Mr Portillo said he "could imagine the state disengaging or reducing its commitments to programmes in the short term". It was no secret that it was studying the rapid growth in payments of invalidity benefit to assess whether it was going to the right people.

But "the next at which you can alter trends in public spending is severely conditioned by the need to alter commitments and therefore to pass legislation".

For that reason the government had to look beyond spending at the rate of economic recovery and the possibility of raising more revenue when judging how it should cut borrowing.

"If we were not now to bring down our rate of borrowing by use of all three means as necessary, we would establish permanently higher rates of borrowing, permanently higher rates of interest burden to be funded and therefore permanently higher rates of taxation."

With the Budget more than three months away and the next financial year over seven months distant, Mr Portillo was careful yesterday to keep open the government's options on future tax increases.

But he held out some hope that the Tory party might not succumb totally to internal strife on the issue.

"I won't deny that there is a debate in the Conservative party. But I think it is considerably less sharp than the one we had in the '80s between wets and dries. All the people debating in the Conservative party are agreed about the need to constrain public spending and the need to have sound public finances. There is a lobby and jostling around the balance between public spending restraint and taxation increase, and indeed were there to be taxation increases, lobbying about what sort of taxes they ought to be. That seems to me just the normal political interplay."

Constrained by an acute shortage of public funds and eager to overhaul the country's deteriorating infrastructure, the Mexican government is inviting the private sector to buy, build, and finance projects on a scale that few other governments in the world have envisaged.

Mexico's telephones, motorways, ports, airports, power plants, water recycling projects and prisons are all now open to private investment. The government also plans to remove the constitutional block on the private operation of railways.

For the programme to succeed, the government will have to persuade both foreign and domestic investors to provide tens of billions of US dollars in funding. It is keen to press ahead because, without sound infrastructure, Mexico would find it harder to compete in the world economy, particularly within the proposed North American Free Trade Area.

But Mexico is only just leaving behind the problems of excessive debt which it experienced in the 1980s. As a result, many investors are wary of a long-term commitment to it.

The investment envisaged by the government would involve selling off existing state-owned companies and persuading the private sector to build and pay for new projects. The government's current plans would build on reforms initiated three years ago when it sold Telefonos de Mexico (Telcel), the telephone monopoly, for \$5.8bn. The deal required Telcel to invest about \$14bn over five years modernising one of the world's most inefficient telephone companies.

Since then, banks and construction companies have been awarded concessions to build about 4,000km of toll roads, costing more than \$10bn. Next month, bidding begins for Mexico's first private electricity generating plant. Later this year, or early in 1994, ports and some airports are scheduled to go on sale.

Mr Bill Reinhardt, editor of the US newsletter Public Works Financing says Mexico has "the world's most ambitious privately-financed infrastructure programme." He adds: "While most governments talk about this stuff, few want to give up the monopoly power. Mexico is one of the exceptions."

The impetus has been the poor state of Mexico's basic communications and other amenities. In the 1980s, after Mexico defaulted on its foreign debt and inflation hit triple

Private ambitions on public priorities

Damian Fraser on Mexico's attempts to attract investment in its infrastructure

digits, real public spending on infrastructure fell by an average 9 per cent a year, or more than 50 per cent in a decade. The effects are evident. In parts of the country it can take more than a year to get a telephone. Many trunk roads are riddled with potholes. And poor water supply in the arid north has curbed industrial expansion.

In spite of recent improvements in Mexico's economy, including a fall in inflation to single figures, President Carlos Salinas has made economic stabilisation and debt repayment, rather than public investment, the government's priority. The government ran a budget surplus last year, and is currently running another, indicating the squeeze on public funds continues.

While the government is convinced of the desirability of private involvement in infrastructure investment, there have, however, been difficulties. Some toll motorways have run into financial trouble, as construction costs have soared and traffic flows have been lower than expected. The \$1.7bn road linking Mexico City to Acapulco is a case in point. It cost twice as much as originally projected. Many construction companies involved have been unable to sell off their equity in it and other roads they have built. And the banks involved have been left with about \$1bn of underperforming debt tied to motorways.

The main cause of difficulties is the high cost of capital in Mexico. Moreover, many low-paid Mexicans cannot afford to use the privatised facilities, such as roads, which affects turnover and, with it, profitability. With interest rates highly volatile, but averaging about 7-8 per cent in real terms in recent months, investors are willing to lock in capital for only five to 10 years. This has meant they have sought to recoup their capital quickly by setting high motorway tolls - at about 13 cents a kilometre, five times higher than in the

US. This has made the roads too expensive for most Mexican truck and car drivers. In an attempt to spread capital costs over a longer period, a category of Mexican infrastructure bond has been introduced. The hope is that, as the economy stabilises, demand for

these longer-term bonds will increase.

"Mexicans are not used to thinking about the long-term. But once the economy stabilises, then you can go to long-term financing. We are almost there," argues Jacques Rogozinski, head of Banobras, the state development bank.

MEXICO'S TOP 10 PRIVATISATIONS		
Company	Date	Amount
Telefonos de Mexico (Telcel)	Dec 80	\$5,870m
Banco Nacional de Mexico	Aug 91	\$2,487m
Bancomer	Nov 91	\$2,775m
Banca Serfin	Feb 92	\$911.2m
Multibanco Comertex	Feb 92	\$871.2m
Controladora Mediana de Comunicaciones	Jul 92	\$611.5m
Banco Mercantil del Norte	Mar 92	\$503.3m
Compañia Minera de Cananea	June 92	\$557.1m
Banco Intercontinental	Sept 90	\$475m
	Jul 92	\$474.4m



President Salinas: hopes private sector will improve efficiency

US. This has made the roads too expensive for most Mexican truck and car drivers.

In an attempt to spread capital costs over a longer period, a category of Mexican infrastructure bond has been introduced. The hope is that, as the economy stabilises, demand for

'There is still economic and political uncertainty and investors are wary'

these longer-term bonds will increase.

"Mexicans are not used to thinking about the long-term. But once the economy stabilises, then you can go to long-term financing. We are almost there," argues Jacques Rogozinski, head of Banobras, the state development bank.

Mexico City and Toluca, attracted little international interest, and about half were unsold initially.

"There is still a large amount of economic and political uncertainty in Mexico and investors are wary," says Mr Ron Perry, of Public Financial Management, a consultancy in San Francisco. Infrastructure bonds generally face more hurdles than corporate bonds, he argues, since the foreign currency revenues of an infrastructure project can be hard to predict, are sensitive to exchange rate devaluation, and susceptible to price controls or appropriation.

Mr Lee says the development of a long-term market for Mexican bonds depends on Mexican foreign debt being promoted from "junk" to "investment" grade status by one of the main rating agencies, opening up Mexican paper to many US institutions. Both Standard & Poor's and Moody's rate Mexican foreign debt at the equivalent of BB+, one level below "investment" grade.

Until Mexico gains access to long-term debt markets for project finance, bank loans or direct investment may prove the only alternative to bond financing. For now, the government is looking to foreign power companies to foot the bill directly for the planned construction of 40 electricity power plants, each with an output of 350 megawatts, regarded by ministers as necessary to meet future energy demands.

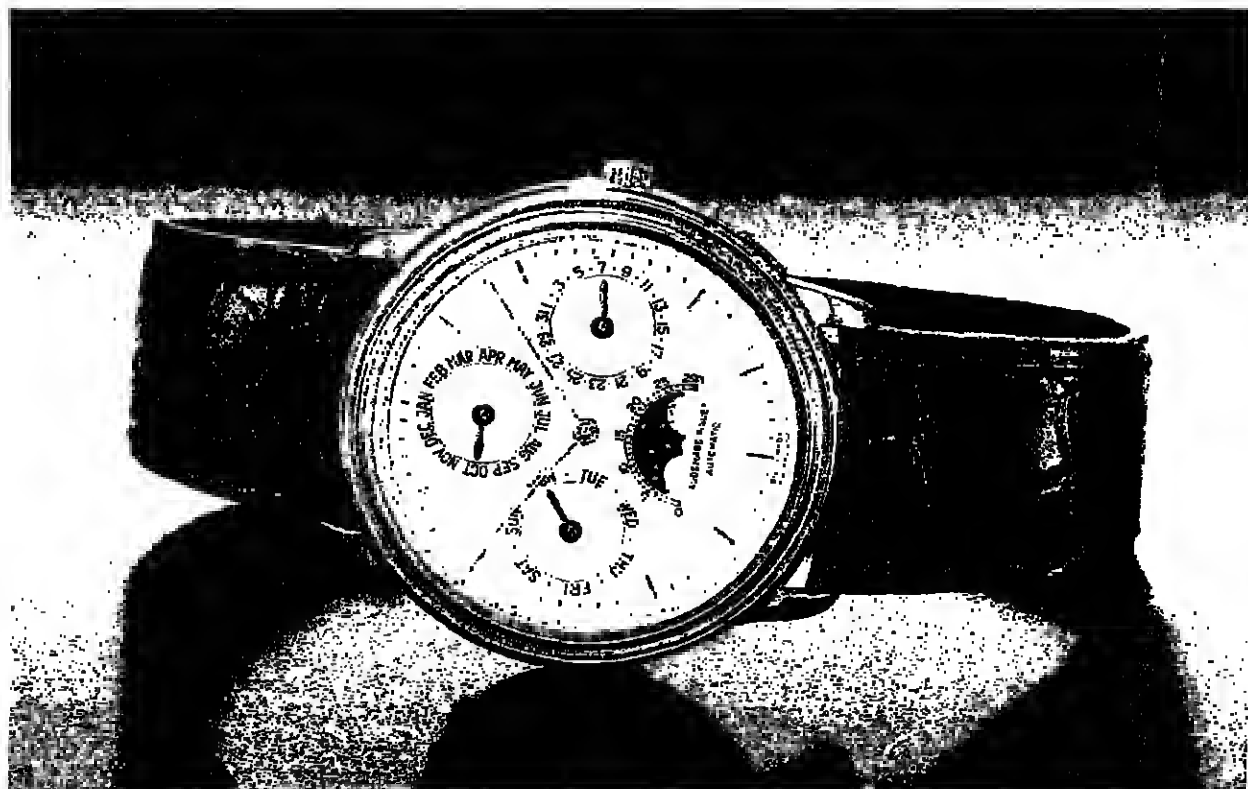
Even if the \$18bn needed for these plants is forthcoming, investors are likely to stay clear of Mexico's poorest regions, which are in greatest need of improved roads and water supply systems but whose residents have little money to pay expensive tolls or user fees.

After failing to convince any banks to finance a motorway linking one of Mexico's poorest states, Oaxaca, with the capital, the government reluctantly agreed to pay for the \$90m motorway, ironically with proceeds from the recent sale of state-owned television stations.

The Oaxaca project highlighted the difficulties of extending the government's free-market principles in the face of Mexico's widespread poverty and inexperience in long-term financing. It also shows that privatisation may not be the straightforward and trouble-free solution to a crumbling infrastructure that the government likes to think

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LETTERS TO THE EDITOR

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Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Price theory cannot apply to environment

From Mr Ben Plouiden.

Sir, Your leader describes as "absurd" the resistance of many non-conformists to the notion that everything - including rainforests and whales - has a price ("Valuing the environment", August 19). What is equally absurd is the conviction of economists that everything does have a price, even if it is only a price estimated (by economists) using one of a number of valuation techniques. The logical outcome of this position is that the last whale should be killed or the last acre of open coun-

tryside paved over if the economic benefits outweigh both economic and (fully internalised) environmental costs.

Even if the shortcomings of present modes of economics can be overcome, which is questionable, there remains the critical moral issue of whether the current generation has the right to damage irreversibly the environment that will be inherited by our descendants, even if we are willing to "pay" for the damage.

Daly (a World Bank economist) and Cobb argue in rela-

tion to carbon dioxide emissions in their book, *For the Common Good*: "Instead of beginning with the impossible task of calculating full-cost prices and then letting the market determine the right quantities on the basis of these prices, we could begin with the right quantities and let the market calculate the corresponding prices."

This principle applies across the board, with the "right quantities" of environmental costs being those that allow society to function within the quantitative and qualitative capacity of the environment.

Defining those quantities will inevitably be fraught with uncertainty and controversy. It may prove to be more useful and acceptable than waiting for economists to find the "price" of environmentally sustainable economic activity.

Ben Plouiden, assistant secretary, energy and minerals, Council for the Protection of Rural England, Warwick House, 25 Buckingham Palace Road, London SW1W 0PP

Effects of options on price trends

From Mr Martin Thompson.

Sir, Christopher Green's letter questions the effects of options on the copper market ("Options rise can stabilise copper market", August 17). While agreeing with him that options provide a valuable service to the base metals industries, I would maintain my contention, quoted by Kenneth Gooding in his article "Copper market responds to 'rogue' element" (August 13), that buying and selling by grantors of options can influence the behaviour of the price in a manner that is indifferent to supply and demand.

By having to buy on a rising market and sell on a falling one in order to protect themselves, grantors of options have always contributed to existing price trends. The volume of such options-related buying and selling has now increased to the level at which they can exaggerate such price movements, thus increasing the market's instability.

Any operator in the market who is in a position to deliberately institute a significant movement in the price may well find his efforts powerfully, if involuntarily, reinforced by the many grantors of options who have no alternative but to follow suit.

Needless to say, these conditions are not unique to the copper market. In fact, they are common to all markets where options are traded. Martin Thompson, 6 St James's Square, London SW1Y 4LD

Anti-intervention argument is weak

From Mr John Lovering.

Sir, Michael Prowse's main argument against President Bill Clinton's redistributive budget ("The case against redistribution", August 16) is as fallacious as it is familiar. Mr Prowse assumes that an individual's pre-tax income is some sort of personal creation, a gift from God or nature. Only taxes or benefits represent a "political intervention". He can only see politics at work when it threatens the status quo, not when it preserves it.

Instead of lauding the rich for shouldering such a large share of the US tax burden, Mr Prowse might consider why they are rich in the first place. Also, he ought to ask why it is that one of the hardest and most important jobs in society, bringing up children, is done by people who are among the poorest.

The fact is that incomes from

employment - not to mention earnings from property - are profoundly shaped by inequalities in power. Few, even of the most liberal economists, would pretend that economic theory can even begin to explain it. Supply and demand schedules rest on social inequalities. The truth is that politics is already inscribed in the so-called "initial" distribution of income.

Income is indeed a "distribution" and the unfashionable cake metaphor is not completely inappropriate. Governments cannot but be implicated in the way the cake is divided. Employment legislation (or the lack of it) underwrites the way a few select among the many. Education and welfare policies allocate access to the game. Property rights guarantee the power to receive income from others long after you have ceased to do any work. Governments are

already there, ratifying the way the market is rigged one way or another. All that Mr Prowse really has to say is that they should do it his way, favouring those who are already lucky (scribbling apologies, I imagine, is quite nicely paid).

To question the distribution of income and to try to tinker with it is, apparently, to commit the archaic sin of plotting a bit of "social engineering". But there is an awful lot of engineering going on all the time. Mr Prowse's inability to see this, and his delirious idea that politics lives in some separate domain inhabited by unreasonable types, is pure ideology. There is a lot of it about.

John Lovering, Department of Geography, University of Liverpool, PO Box 147, Liverpool L69 3BX

Accountancy needs to emphasise 'true and fair'

From Mr Desmond Goch.

Sir, It was refreshing to read Roger Davis's argument that accountants and account users are suffering from a surfeit of accounting standards. "Mass of fine print may obscure judgments", August 19. While the Accounting Standards Board is busily weaving yet another cat's cradle of rules to cover every eventuality in the accounting calendar, too few people have been prepared to stand back to consider if this is really the right road to be travelling.

I take the view that many of the accounts-related problems

of recent years can be attributed to inadequate standards of accounting and auditing, rather than to inadequate accounting standards. Mr Davis's plea for a return to an emphasis on personal judgment and the spirit of "true and fair" deserves to have the support of the profession.

Regrettably, the professional bodies are busily engaged elsewhere as they seek to fulfil the role of the statutory enforcement agency for the new auditing regulatory regime, which has been thrust on them by a government that shies away from picking up the bill

and the responsibility itself. Meanwhile, the leading auditing companies are too busy fighting for the top positions in the league tables that have become the vintages of professional status. This leaves them with little time or inclination to take a detached view of where company reporting is going. Indeed, they probably believe that a complex accounting rule book strengthens their claim to a monopoly of wisdom in this area.

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FINANCIAL TIMES

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Wednesday August 25 1993

Equal pay for women

It is a bold move for the Equal Opportunities Commission to take the British government to the European Court of Justice over its alleged failure to implement an effective equal pay law. If it wins, the commission, whose members are appointed by the government, will have scored a decisive victory for its long campaign against what it sees as half-hearted mechanisms for enforcing the principle of equal pay for work of equal value, regardless of gender. If it loses, the commission will suffer a serious, perhaps terminal, loss of influence. There has been talk in recent years about rationalising the equal opportunities agencies, possibly bringing together the EOC and the Commission for Racial Equality.

The commission's case is that in spite of the fact that the principle of equal pay for equal work is enshrined both in the Treaty of Rome and Britain's Equal Pay Act, it is not working well. Proceedings under the act, dealt with by industrial tribunals, are complex and lengthy - taking an average of two and a half years. As a result, there have been only 23 successful claims in almost 10 years. Since 1980, the commission has urged amendments to the Equal Pay Act without success. The final straw appears to have been the government's decision to ignore equal pay in its most recent trade union bill, while abolishing wages councils, which provide, in effect, a minimum wage in low-paid industries, such as catering, where many women work.

It is certainly true that the forces driving the narrowing of pay differentials between British men and women have varied in recent years. In 1970, when the Equal Pay Act was passed, the average hourly female wage was 60 per cent of the male. By 1975, when the act came into force, the ratio was 75 per cent. Since then, the figure has only crept up to 80 per cent. It is difficult to be sure how this compares with other EC countries, since comparative figures are not readily available.

The other side of the coin, however, is that in the 1980s, women found it easier than men to get jobs in all advanced economies.

This is partly a result in the shift from the manufacturing to the service sector, but also in part because many women are prepared to accept part-time or more flexible working arrangements in return for lower financial rewards. In Britain during the 1980s, female employment grew at about 2 per cent a year, while male employment was static. British women may hold down a lot of low-paid and often part-time jobs, but at least they have got into the work force. In 1992, 64.5 per cent of British women had jobs, a significantly higher figure than in Germany, France or Italy, although lower than in Scandinavia or North America, themselves polar opposites in their approach to labour market issues.

This suggests a picture more complex than advocates of either extreme deregulation or tougher laws are inclined to acknowledge, especially at a time when the whole EC is rightly shifting priorities in favour of job creation rather than further regulation of labour markets.

It is not clear that the EOC has adequately recognised this context. Nor is it evident that its most ambitious demand, that individual equal pay awards should in effect be applied as class actions to groups of employees is practical. One long-running British equal pay case involves a claim by a health service speech therapist (a predominantly female profession) for pay equality with colleagues who are pharmacists (a predominantly male occupation). In a highly competitive world, employers are perhaps also entitled to ask why the process of equalising pay between men and women should necessarily involve raising the remuneration of the latter.

It is ironic that this confrontation should be occurring just when Mr David Hunt is establishing himself in the role of employment secretary. Mr Hunt is, by instinct, more sympathetic to the EOC's starting point than his predecessor. He should now seek urgently to persuade the EOC that he is serious about speeding up tribunal procedures; if he does this, the EOC should negotiate rather than litigate.

Taiwan air

IF THE negotiations between Taiwan and British Aerospace over their proposed joint venture seem to be dragging, there is room for sympathy. For both parties, the failure of the deal would have serious implications. BA would be harmed both financially and strategically. For the Taiwanese government, the money is less important than the fact that the deal carries the burden of an industrial policy which seems to be causing some argument within the administration itself.

Taiwan's basic problem is familiar enough. After decades of growth and rising wages, it is no longer a low-wage economy. At the same time, it lacks the technology to compete at a higher level, for instance with the US or Japan. Like many other countries, it has identified aerospace as one of the crucial technologies of the future. Since it has almost embarrassingly large financial resources, it proposes to buy its aerospace technology wholesale.

The debate revolves around the fact that by comparison with Korea or even Japan, Taiwan has succeeded mainly through the skills of the small-scale entrepreneur rather than those of the large-scale planner or corporation. The other two countries based much of their early success on the art of picking winners. How far Taiwan can acquire the knack at this late stage is an open question.

This in turn leads to the next question at issue, which is whether aerospace is the right horse for Taiwan to back. Full-scale aircraft assembly is rare both in Japan, which has much more of the relevant technology, and in Korea, which knows all about giant-scale planning. Taiwan has yet to develop an independent motor industry, which is in some ways a plausible precursor to aerospace. Taiwan might perhaps argue that it is a special case. Historically it was not allowed to buy western military aircraft, and thus had to start a fighter programme of its own. In the past year US policy has changed, so that Taiwan now has US fighters and a fledgling domestic components industry which is looking for new business.

That is one argument for linking up with a full-scale aircraft assembler. Another is longer term in nature. There is a vast potential market for short-haul aircraft in the Far East generally and China in particular. Taiwan has good assembly skills and still relatively inexpensive labour to marry with BA's technology. It also has capital for an industry which is famously cash hungry. If the project did succeed, it could be very rewarding for both parties. All in all, it is not surprising that the negotiators are having a few late nights.

Monks, not devils

THE LAST TIME China tried to cool an overheating economy, in the late 1980s, it did so too late, with a heavy hand and evidently without the benefit of foreign expert advice. The result is history: the economy's hard landing, political turbulence and the international isolation that followed the 1989 Tiananmen square massacre.

This time, China's economic overlord, Mr Zhu Rongji, is determined to do things differently. In the last two months, he has moved deftly and rapidly to combat rising inflation and curb belated growth by tightening control over the country's financial system and central bank. His measures have probably come (just) in time to prevent a softer landing. As remarkably, Mr Zhu is acting in part on the advice of economists from the World Bank and elsewhere - people whom Communist party bosses would only a few years ago have dismissed as "foreign devils".

The World Bank has, of course, been present in China for many

years and has assisted in Deng Xiaoping's 15-year effort to open up the economy. But the involvement of foreign advisers in recent months is the clearest possible indication of Mr Zhu's desire to cool it down without stifling market reform. Moreover, as the bank points out, the measures he has adopted - a mixture of old-style administrative commands and modern financial fine-tuning - accurately reflect an economy poised between the distortions of communism and the dynamics of capitalism.

Mr Zhu has a simply gargantuan task in moving further from the former towards the latter: reform of foreign trade, the tax system, state-owned industry and the welfare state all lie ahead. But in attempting to sort out the financial system first, he has started in the right place. If he perseveres, he may be able to pull off a trick that eluded his predecessor: breaking the economy's boom-bust cycle and engineering a steadier path of growth towards the market.

Is the European Community's project for economic and monetary union alive or did it die with the old exchange rate mechanism?

The achievement of Emu is indeed doubtful, but not because of the change in the ERM, which is perfectly compatible with a move to Emu. The breakdown in the ERM matters more because of what it signifies. Ultimately, a move to Emu requires a political decision to forge a common monetary policy. The Maastricht treaty did not ensure that this decision would be taken. Events since then have cast serious doubt on whether the political will to do so exists.

A monetary union could be forged tomorrow. All that would be needed is for the central banks of two or more EC member countries to make an open-ended commitment to support one another's currencies and, by implication, pursue a joint monetary policy. To the extent that investors would try to convert one money into another, the quantity of the weaker currency would shrink, while that of the stronger would grow. But aggregate money supply of the union would be unaffected. Since a central bank can always create its own currency without limit, such a union is secure, provided the mutual commitment remains in force.

The difference between such an arrangement and the ERM is like that between chalk and cheese. With a limited commitment by the central bank responsible for the strongest currency, the cost of maintaining the weakest falls principally on those responsible for the weaker ones. To reinforce their weaker ones, they must increase exchange rates they must increase the cost of speculation, which also raises the costs on domestic borrowers. Since there is a limit to the monetary stringency political realities will allow, no narrow-band parity can be fully credible.

An open-ended mutual commitment is not the only way, in principle, to ensure the main benefits of monetary union. One alternative would be a 19th-century gold standard; another would be a currency board, which is an obligation to convert foreign currency into its domestic equivalent at a fixed price. But the former was successful because it originated from the use of gold as domestic money, developed via a commitment to convertibility of paper money into gold and, above all, flourished when the political commitment to price stability was unquestioned. As for the latter, it demands a credible subordination of one country's money to another. That may be plausible for the Hong Kong dollar vis à vis the US dollar, it is not for the French franc vis à vis the D-Mark.

The EC, in short, cannot be a little bit pregnant with Emu. However protracted and complex the courtship, participants must achieve consummation, conception, pregnancy and birth at one specific moment. That moment need not be indicated in advance. But there must be a decisive shift from separate monies with separate monetary policies to a single monetary policy and perhaps a single currency.

The apparent precision of the Maastricht treaty about how this is to happen is deceptive. In fact the treaty represented a series of awkward, probably unworkable, compromises: between the ostensible German willingness to accept the ultimate goal of Emu, if like Saint Augustine, "not yet", and the desire of the French to move as quickly as possible; between the need for universal participation and German suspicion of some participants, such as Italy; and between the desire to eliminate the Bundesbank's hegemony and its determination to preserve it as long as possible.

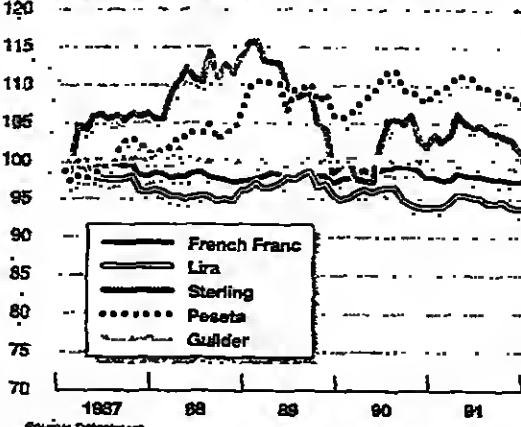
To put off the evil day, while weeding out those deemed unworthy, the Germans insisted on tough convergence criteria; to ensure their happy day would come, the French and Italians obtained what looks like a binding 1999 deadline; to give hope to all who want to join Emu, the convergence criteria are ambiguous; and to give them still greater hope, the European Council is to decide whether a country

Prolonged pangs of a difficult birth

Martin Wolf asks whether the gestation of Emu is following the Maastricht timetable, or could delivery be easier?

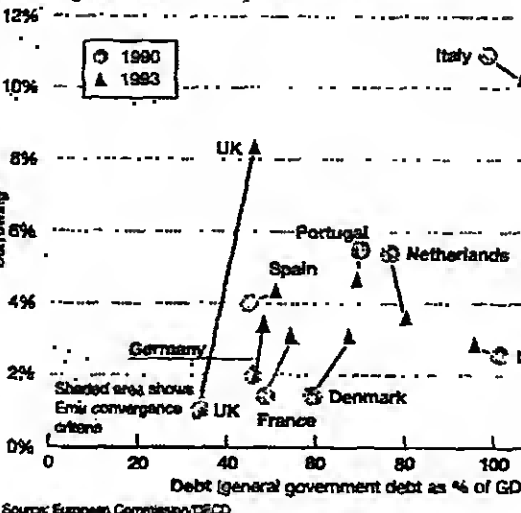
The ERM dissolves...

Exchange rates (DM per currency unit) rebased 12/1/87=100



...while fiscal policy deteriorates

General government borrowing as % of GDP



meets the conditions on the basis of a qualified majority vote. It is difficult to imagine a treaty more conducive to mutual recrimination.

The transition laid out in the treaty contained three principal elements:

- Convergence criteria on inflation, long-term interest rates, fiscal deficits, public debt and participation in the ERM;
- A timetable that is both long - up to six years - and inflexible; and
- A leap from the ERM to Emu managed by an unified and as yet non-existent institution.

The most problematic of these is the first, not merely in light of events, but even in principle. The convergence criteria neither make much sense in themselves, nor, at least as important, help Germany to include those it wants to include and exclude those it wants to exclude. They do not, in other words, help to solve the fundamental political challenge posed by the move to Emu.

The criteria in the treaty were that a country shall possess:

- A currency that "shall have respected the normal fluctuation margins provided for by the ERM of the European Monetary System without severe tensions for at least the last two years before the examination";
- "An average nominal long-term interest rate that does not exceed by more than 2 percentage points that of, at most, the three best-performing member states in terms of price stability";
- An average rate of inflation that "does not exceed by more than 1½ percentage points that of, at most,

the three best performing member states"; and

- A sustainable government financial position. This is defined, first by "whether the ratio of the planned or actual government deficit to gross domestic product exceeds 3 per cent, "unless either the ratio has declined substantially and continuously and reached a level that comes close to 3 per cent or "the excess... is only exceptional and temporary"; and second, by "whether the ratio of government debt to GDP exceeds 60 per cent."

The EC cannot be a bit pregnant with Emu. Participants must achieve consummation and birth in one moment

cent, "unless the ratio is sufficiently diminishing and approaching 60 per cent "at a satisfactory pace".

Is the fate of Europe to hang on such obscurities? Consider just a few of the problems.

The interest rate criterion is not independent, since it will be met if Emu itself is credible. Meanwhile, the inflation criterion is merely a relative, not an absolute, one; and assessment of whether or not it has been achieved is not to be qualified by economic performance.

Most important, however, are the fiscal tests, the ones being most comprehensively violated at the moment (see chart). These tests, too, have only limited logic behind

- 1962: European Commission sets out goal of Emu
- 1970: Werner plan aim of Emu by 1980
- 1973: Final break-up of Bretton Woods system
- 1979: European Monetary System (EMS) starts
- 1987: European Single Act takes effect, laying down goal of Emu. Last general realignment before 1992
- 1990: German unification, Sterling joins the ERM
- 1991: Maastricht summit lays down firm Emu timetable
- 1992: Sterling/Lira leave ERM
- 1993: ERM moves to 15% bands
- 1994: "Second stage" of Emu to start, with creation of European Monetary Institute
- 1997 or 1999: "Third stage" of Emu envisaged, with permanent fixing of currencies for EC countries meeting convergence criteria

them. Above all, as Mr Helmut Schlesinger, the Bundesbank president, has realised, they do not differentiate satisfactorily between countries the Germans might accept inside Emu and those they would not. If Belgium, for example, were to be included, despite its fiscal policy failure, how could Spain be excluded, just because it failed some other test?

These defects in the criteria are a matter of some importance. This is not because successful passing of the tests is a necessary or sufficient condition for a workable Emu. On the contrary, some seem irrelevant, even perverse. The limitation on fiscal deficits in a monetary union with exiguous fiscal transfers seems particularly inappropriate. Interestingly, almost the only criterion that might make sense - the limit on fiscal debt - is the one over which Mr Schlesinger has indicated greatest flexibility. The explanation for this must be political, since the insolvency of a member state might indeed imperil the European Central Bank's independence.

The reason the deficits matter is rather different. The tests are essentially an initiation ritual. Applicants for Emu are required to show how committed to monetary stability they are. The problem is that it may prove impossible to agree on who will have passed, unless, as now seems rather probable, everyone is agreed to have failed.

The collapse of the old ERM does not change much directly. On the contrary, it would almost certainly be easier to meet the ERM criterion with 15 per cent bands, if these became "the normal fluctuation

margins", than with the 2½ per cent bands, which were deemed normal before. What the collapse of the ERM shows is that the initiation itself has been too hard. This undermines mutual trust and shakes the political commitment to Emu.

For this, there have been two reasons. The first is that the institution in charge of this rite of passage has an incentive to ensure everyone fails. The second is that German unification has given the Bundesbank the opportunity, almost the obligation, to pursue policies likely to ensure they all do. Ironically, German unification was both a spur for the Maastricht treaty and the main reason why it will not be achieved in the way once assumed.

Unification disrupted the ERM by giving the anchor country relatively high inflation, which drove real short-term interest rates to intolerable levels elsewhere in the ERM. Unification also demanded a short-term real appreciation of the D-Mark. In order to transfer resources from the current account surplus into eastern Germany. In a fixed exchange rate regime, the needed appreciation could only be achieved by higher inflation in Germany than elsewhere, which, given the Bundesbank's objectives, also imposed a fierce disinflation on Germany's partner countries. Finally, that pressure also created the vicious circle of speculation, higher interest rates and still more speculation which dissolved the old ERM.

What are the alternatives now? One possibility would be to press on regardless. Participants might hope that the problem posed by German unification is now slowly passing, as interest rates fall and the D-Mark depreciates against the dollar, the yen and even the currencies of other EC member states. It would then be possible either to move back into narrow bands, however tentatively, or, more sensibly, to leave the ERM as it is until the move to Emu. Presumably, the failure to meet the fiscal criteria would be judged with the benevolence implied by the treaty's ambiguities.

A second option would be to accept that the political will to make this transition is lacking. Emu entails a high degree of mutual trust. While the move to Emu could indeed continue more or less as planned, at least on paper, the political commitment to it must be doubted. This is not just a matter of the difficult passage of the treaty in many member countries, though that is revealing. Nor is it a question of the lack of enthusiasm of the Germans, important though that must be. The most significant point is that the Bundesbank policies which disrupted the ERM were pursued, without serious internal protest, on the basis of that institution's debatably extreme view of German monetary and economic developments. Never mind Mr Kohl's pro-European rhetoric. Never mind Germany's ostensible commitment to the ambiguous Maastricht treaty. Just look at the reality of German fiscal and monetary policies.

A third option then would be to force the issue. Those who do trust one another (if any) could make the needed mutual commitment now. There is nothing to suggest the decision would be any easier in 1997 or 1999. Worst of all, if member states just stagger on, pretending to try to achieve these criteria, the political and economic costs for Europe could prove prohibitive. Whatever the economic advisability of Emu itself, it must be senseless to spend six years, perhaps more, subordinating everything to that aim within a recession-mired, high-unemployment EC economy.

Emu requires the making of an irrevocable decision. The Maastricht treaty appeared to mean that the decision had already been made. But this was deceptive. Those countries that could plausibly share a successful Emu - a far smaller number than the 12, both now and for the foreseeable future - should either take the leap or solve the idea. If this marriage is to happen at all, it should be made now.

OBSERVER



"You're sitting where the telly used to be"

Luckily for the passengers, BA refused because its jet was well beyond Frankfurt. And where was the defendant?

Sitting in his solicitor's office helping draft his defence.

Deuce

Has Guardian Royal Exchange launched a grand plan to compete with Direct Line and the other fast-growing motor and household insurance telematics operations, or not?

It was impossible to tell from yesterday's announcements about its new direct selling operation.

Of the two sparsely-worded press notices, the one about Ray Pierce, the 47-year-old management consultant who will head up the new subsidiary, was the most informative. GRE discloses that he is married with two teenage daughters and his interests "include tennis - plays at county level - squash and golf".

Information like that is hardly going to spoil the game of Peter Wood, Direct Line's tennis-playing boss.

Indiscribable job

Who is going to replace Andreas Whitlam Smith as chief executive of Newspaper Publishing, parent of The Independent and Independent on Sunday?

There is some urgency to fill the post since the planned financial restructuring cannot get under way until the new chief executive has had a chance to see what is required.

The idea was to have someone on board in a month or so, but, as gossip on Fleet Street has it, this is proving a difficult slot to fill. One senior newspaper executive, who declined an approach, says that it is not at all clear where the duties of the new chief executive will begin and end.

The plan is that Whitlam Smith, who owns 8 per cent of the business, will concentrate on editing the Independent and reversing the decline in circulation.

However, he will remain on the board as deputy chairman.

So who will really be in charge of the business - the editor/deputy chairman or the CEO? And what happens if the new CEO finds that the paper's problems are so intractable that they demand a change of editor?

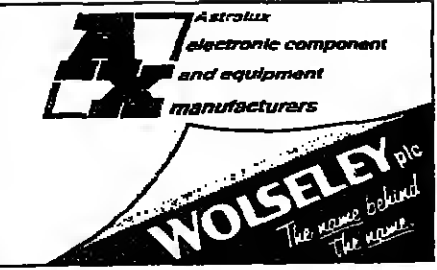
Would Whitlam Smith dare recommend that the job be offered to someone as strong-willed as Sunday Times editor Andrew Neil, who has been doing his own job for a decade and is said to be desperate for a move?

Sounds like headhunters Tyzack are going to have their work cut out if they are to find the right person.

Pregnant pause

As schoolboys, Jones and Smith loathed each other; they never kept in touch. Jones became a bishop and Smith an admiral. Years later, Jones is standing at a station, in full episcopal regalia, waiting for a train. And, lo and behold, there on the platform is the hated Smith, in admiral's braid and cap.

Seizing the chance to score an unchristian point, Jones swishes up to his old enemy and asks: "What time is the Bath train expected, station master?" Smith gives his old adversary a level, naval gaze and replies: "It's due in 10 minutes - but I wouldn't advise travelling in your condition."



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INSIDE

Unidanmark on track as it returns to profit

Denmark's second-largest bank group, Unidanmark, said its profit of DKK483m (\$69.77m) in the first half, compared with a loss of DKK1.47bn in the same period last year, was in line with the recovery strategy drawn up last autumn. Page 14

Restructuring lifts Trygg-Hansa

Lower underwriting losses and heavy investment gains enabled Trygg-Hansa SPP, Sweden's leading insurance company, to report improved results for the first six months as the group restructured after big losses last year in the country's banking crisis. Page 14

Lower demand for Matsushita

Weak sales and a strengthening yen pushed Matsushita Electric's first quarter consolidated pre-tax profits down 7 per cent to ¥33.7bn. The Japanese consumer electronics group continued to face weak demand in its home market as consumer spending tailed away. Page 15

Rosy futures in Austria

The Austrian Futures and Options Exchange (OTOF) which opened 15 months ago has become a bigger draw than the Vienna Bourse. The contract value of OTOF's stock options is regularly three times as great as the volume of sales in the underlying shares. Page 18

GRE gets on the phone

Guardian Royal Exchange, the composite insurance group, is to launch a new subsidiary to sell motor and home insurance direct to the public, underlining the growing popularity of direct teleshopping in the UK market. Page 17

Graseby to cut pay-out

The electronics group, Graseby, is to cut its final dividend to retain more funds for expansion despite pre-tax profits up 18 per cent to £4.87m in the six months to June 30. Page 18

Wace doubles to £7m midway

Cost cutting helped the restructured Wace Group, the pre-press and specialist printing company headed by Mr Francis Ten Es, to more than double pre-tax profits from £3.3m to £7m in the half year to the end of June 1993. Page 19

Venezuela reshapes aluminium

Venezuela is among the world's lowest cost producers of primary aluminium, yet the government-controlled aluminium smelter generates embarrassing amounts of red ink. Now the government has announced that it will reorganise the aluminium sector by selling some assets and seeking new private investors. Page 20

Cautious mood in Israel

The Tel Aviv Stock Exchange is settling into a period of cautious consolidation after the market nearly doubled in 1992. Since January, the Mishkan Index, which covers the 100 most traded companies, has fallen 4 per cent as investors have shied away from blue-chip stocks. Back Page

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Chief price changes yesterday

FRANKFURT (DM)	PARIS (FF)	TOKYO (¥)
Rhine	454	2750
Bay-Hypo	398	4650
Dresdner	408.5	1814
SEB	146	445
Leffelt	124.8	570
Lufthansa Pk	368	570
Falke	368	570
Wolfsburg	368	570
NEW YORK (\$)		
Rhine	454	2750
Bay-Hypo	398	4650
Dresdner	408.5	1814
SEB	146	445
Leffelt	124.8	570
Lufthansa Pk	368	570
Falke	368	570
Wolfsburg	368	570

New York prices at 12.30

NYSE (Dollars)	NASDAQ (Dollars)	AMEX (Dollars)
IBM	108	108
Microsoft	108	108
Apple	108	108
Oracle	108	108
Sun	108	108
HP	108	108
Intel	108	108
Motorola	108	108
TI	108	108
AMD	108	108

Svenska Handelsbanken confident after return to operating profit Bank plans SKr2.7bn share issue

By Christopher Brown-Humes
in Stockholm

SVENSKA Handelsbanken yesterday announced plans to raise nearly SKr2.7bn (\$332m) from shareholders after demonstrating a strong recovery in first-half operating profits and confidence in future prospects.

The bank wants to be able to meet increased loan demand as the Nordic economies recover and to expand its office network

in the region. It says a stronger balance sheet should also improve its credit rating.

It is the fourth Nordic bank to announce plans for a big share issue in less than two weeks, following similar moves by its Swedish rival Skandinaviska Enskilda Banken and the Finnish banking groups Kansallis-Osake-Pankki and Unitas.

All are taking advantage of higher share prices and a belief that the worst of the Nordic banking crisis is over to bolster

their balance sheets and stave off a credit crunch when loan demand rises.

Handelsbanken's one-for-two issue is being made at SKr35 per share, a deep discount on the SKr125 level at which the shares closed yesterday. The issue will lift the bank's capital adequacy ratio from 10.3 per cent to 12.3 per cent.

The bank's first-half operating profit was SKr857m, against a SKr858m loss in the same 1992 period. However, the figure dis-

pointed the market and the shares fell SKr18, or more than 12 per cent, from SKr145.

Operating profit before loan losses rose 34 per cent to SKr4.46bn, helped by a 10 per cent increase in net interest income and a 1 per cent cut in personnel expenses.

Credit losses remained high at SKr3.83bn, or 2.5 per cent of total lending, reflecting the long Swedish recession and the collapse in the property sector. Non-performing loans were slightly ahead of

their year-end level at SKr15.8bn.

The bank did not give a full year forecast, but said it intended to resume paying dividends on its ordinary shares this year.

Handelsbanken now ranks as Norway's fifth-largest commercial bank, and it plans to build its operations in Denmark and Finland.

It is also one of a number of parties interested in buying parts of Gota Bank which the Swedish government wants to return to the private sector.

US farmers help Deere earnings top \$100m

By Laurie Morse in Chicago

EARNINGS of Deere and Company, the US agricultural equipment manufacturer, surged in the third quarter amid signs that confidence is returning in the North American agricultural economy.

Deere said retail sales of combine harvesters and tractors continued to improve in the quarter, in spite of record rains in the US Midwest and drought in parts of the south-east.

US farmers, who have been conservative about new equipment purchases because of their cautious outlook on the economy,

have excellent prospects in much of the country, said Mr Hans Becherer, chairman.

As well as strong agricultural sales, Mr Becherer said heavy rainfall and improving economic conditions boosted demand for Deere's lawn-care equipment, while increases in housing starts and higher public construction expenditures in the US are also expected to benefit the company's industrial sales.

However, he said overseas demand for Deere agricultural equipment is expected to remain weak.

Deere's third quarter earnings surged to

\$100.1m or \$1.31 per share, compared with \$9.1m or 13 cents per share in the third quarter of 1992.

In the quarter Deere's North American sales of all equipment products rose 26 per cent to \$1.3bn, compared with \$1bn in the third quarter of 1992. Overseas sales rose 2 per cent to \$436m. Net worldwide sales were \$2.05bn, up from \$1.75bn.

Sales of agricultural equipment rose 16 per cent to \$1.1bn, industrial equipment sales were up 27 per cent to \$596m and lawn and grounds care equipment sales rose 34 per cent to \$240m.

In response to strong demand, Deere

plans to boost output of all products by about 10 per cent this year with agricultural equipment tonnage scheduled to rise 8 per cent in the final quarter of 1992. Deere cut production savings to reduce high dealer inventories.

Before a \$80m restructuring charge taken in the second quarter to reduce the European operations, Deere's worldwide net income for the first nine months ended July was \$182.7m, or \$2.39 a share.

This compares with last year's \$33.2m or 44 cents per share. Sales for nine months were \$5.58bn, up 10 per cent from the \$5.07bn of the first nine months of 1992.

Philip Coggan asks if a £20bn sector that has shrugged off past problems is overreaching itself

The investment trust industry is enjoying a revival.

According to SG Warburg, the average discount to net assets, the key measure of the sector's health, recently touched a 20-year low of 8.7 per cent.

In part, this is because of the bull market in equities. Trusts, as collective funds which invest in shares, are a simple way for investment institutions and private individuals to move quickly into the stock market.

The investment trust sector, worth £20bn (\$29.8bn), has produced an impressive performance over the past 12 months, as assets have risen and the discounts have narrowed. Over the year to July 30, the average investment trust returned growth (including reinvested income) of 66.7 per cent, according to the Association of Investment Trust Companies. The FT-A Investment Trust Index reached an all-time high of 1706.9 on August 18.

But to understand why the industry is currently so healthy, one has to go back to the problems the sector faced in the late 1970s.

It was originally set up as a means of giving the private investor access to a wide portfolio of shares, but by the 1970s historical accident had caused trusts' shareholder registers to be dominated by the life insurance companies and pension funds.

Many of those investment institutions thought it more cost efficient for them to manage their own portfolios, rather than pay a fee to an investment trust company to do so. They were thus willing sellers of investment trust shares.

Since the price of investment trust shares is set by supply and demand, this led to the wide discount at which trust shares traded in the late 1970s.

Investment trust managers spent the 1980s attacking the discount problem in two ways. The first was to bring back the private investor, in order to create enough buyers to offset institutional selling. The second was to find new ways of persuading institutions to buy the trusts' management expenses.

Trusts had faced a crucial problem in attracting private investors, as stock market companies (having no yield but offering steady capital growth) and capital shares (having no yield and offering highly geared capital growth).

Because such shares can be highly tax-efficient (especially when held in a PEP), there is plenty of demand for split capital trusts shares. Such trusts often stand at a premium, rather than a discount, to asset value.

The second trick - keeping the interest of the investment trust institutions - has been achieved by specialisation. In the 1970s, the sector was dominated by the generalist trusts, which offered either an international, or a UK-based, spread of shares. Neither kind offered any added value to the institutions.

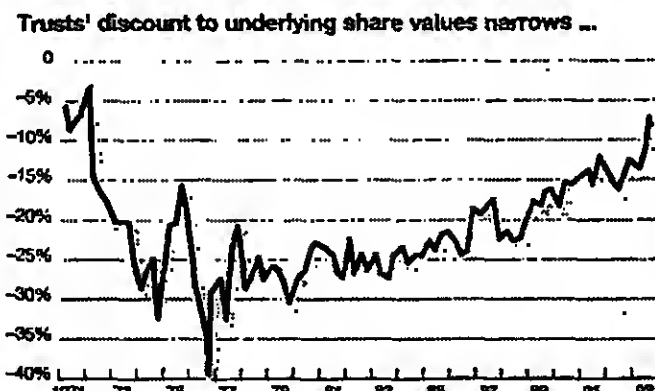
But a trust specialising in, say, Thailand or Korea offers an investment opportunity which even a large institution might find too costly to pursue on its own. There is sufficient demand to ensure the shares do not stand at a discount.

Thus, the 1980s saw a ruthless evolutionary process in the sector. Old generalist trusts, stand-

Evolution pushes investment trusts past a fitness test

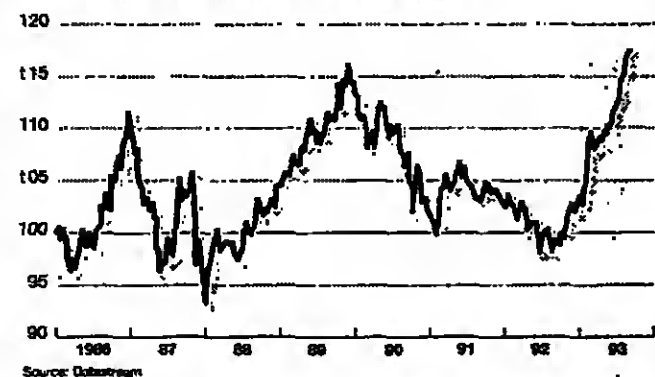
UK Investment Trust sector

Trusts' discount to underlying share values narrows ...



Helping trusts outperform the market

FT-A Investment Trusts relative to FT-A All-Share Index



split capital sector. Traditional investment trusts offer a mixture of income and capital growth.

But for tax reasons, many investors want only one or the other.

In a split capital trust, all the revenue goes to one class of share, while the capital growth goes elsewhere. A typical split might be income shares (having a high yield but a modest repayment value), zero coupon shares (having no yield but offering steady capital growth) and capital shares (having no yield and offering highly geared capital growth).

Because such shares can be highly tax-efficient (especially when held in a PEP), there is plenty of demand for split capital trusts shares. Such trusts often stand at a premium, rather than a discount, to asset value.

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Invesco profits up at £23m midway

By Norma Cohen,
Investments Correspondent

INVESCO, the UK-based fund management company, reported pre-tax profits of £23m for the six months ended June 30, up sharply from £926,000 the year before, when exceptional charges offset almost all the company's profits. Profits before exceptional items were £18.9m, against £14.7m.

Mr Charles Brady, chairman, said all areas grew except Invesco's UK institutional fund management businesses. There, the company's business has been hampered by civil charges filed against it by the Mirror Group Pension Scheme in connection with assets it formerly managed on behalf of former Maxwell company employees. That case is due to be heard in January.

He hoped that an out-of-court settlement could be reached. Invesco's auditors qualified the accounts because of the claims and Mr Brady said he did not expect the 1993 accounts to be similarly qualified.

Profits were helped by a £4m gain from disposals.

The interim dividend remains unchanged at 1p per share. Earnings per share were 7.1p against losses of 1.4p.

Mr Brady said the improved profitability also reflects strong growth in the company's North American operations where there has been a surge in mutual funds under management and strong growth in the management of "money-purchase" pension plans. Development of those businesses has also prompted a sharp rise in expenses to £55.3m from £50.4m.

Funds under management grew to £13bn (from £11bn). North America contributed pre-tax profits of £22.1m (against £15.6m) while Europe turned around to a profit of £2.3m from a loss of £4.2m.

Mr Norman Kiddell, chief executive of the company's European operations, said it will be at least two years before Invesco's UK institutional business recovers. The company needs to remain in that business "because if you cannot demonstrate your ability in your own market, you cannot convince people in other markets".

Lex, Page 12

Strong yen and weak sales hit Honda

By Michio Nakamoto in Tokyo

THE rapid appreciation of the yen and weak demand in leading markets depressed first-quarter consolidated profits at Honda, the Japanese carmaker, which yesterday reported a 62 per cent drop in net income for the period.

Honda saw consolidated revenues in the three months ended June fall 17 per cent to ¥1918.6bn (\$9.5bn) against ¥1,112bn. Pre-tax profits fell to ¥15.3bn from ¥34.8bn.

Honda said it had been affected by the sharp rise of the yen which hit profits in its largest markets overseas, particularly the US, where it sold more cars than in its home market.

The company is re-examining its forecast of ¥4,000bn in revenues for the year, which was made on expectations of an average yen-dollar exchange rate at ¥115 to the dollar. The dollar has recently been fluctuating closer to ¥103.

The rise of the yen has led to a loss of ¥25bn, even after taking into effect any gains made from hedging, Honda said.

Motorcycle sales were firm in unit terms, rising 12 per cent from the first quarter of last year. However, because of the higher yen, sales in the division were 2.6 per cent lower at ¥146bn.

Honda has seen strong demand for its motorcycles in the US and Asia, excluding Japan. Demand in the US rose strongly as Honda has offered more higher value-added models while growth in Asia was spurred as incomes in the region have risen.

Car sales fell 21 per cent in value terms to ¥704.5bn and 11 per cent in unit terms, reflecting the weak demand in Honda's leading markets outside the Asian region, excluding Japan.

"The current level of the yen will make it very difficult for us to carry out our operations," Honda said. It has been forced to raise US prices once this year and would suffer if it raised them again.

Honda expects to shift more production overseas. Exports from its US plants could increase not only to Japan where its US-made Accord is selling well, but to other parts of the world.

The company has cut costs, reduced one of its lines in Japan to one shift, cut the number of seasonal workers by about half and transferred some car staff to the more buoyant motorcycle operations.

Change of Telephone Numbers

With effect from Tuesday 31st August 1993, there will be a change to our telephone numbers:

Chemical Bank
Telephone: 071-777 2000 (main switchboard)
Facsimile: 071-777 4727 (main facsimile)

Chemical Investment Bank Limited
Telephone: 071-777 4000 (main switchboard)
Facsimile: 071-777 4747 (main facsimile)

Chemical Futures & Options, Inc.
Telephone: 071-777 4402
Facsimile: 071-777 4779

These changes are being made in anticipation of our phased London relocations to new European Headquarters. The relocations commence on Tuesday 31st August and will be completed on Monday 11th October.

125 London Wall
London
EC2Y 5AJ

CHEMICAL

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INTERNATIONAL COMPANIES AND FINANCE

Trygg-Hansa recovers following restructuring

By Hugh Carnegie
in Stockholm

LOWER underwriting losses and heavy investment gains enabled Trygg-Hansa SPP, Sweden's leading insurance company, to report improved results for the first six months as the group restructured following big losses last year associated with the country's banking crisis.

Operating profits of SKr864m (\$108m) were slightly down on the comparative figure of SKr888m at the same time last year, but this was largely due to a 50 per cent fall in contributions from the 35 per cent-held Home Holdings group in the US to SKr42m from SKr101m.

Otherwise, core insurance profits rose 10 per cent to SKr303m from SKr275m as premiums - up 2 per cent at

SKr3.95bn - outstripped a marginal rise in claims costs. Trygg said the recession in Sweden had trimmed premiums at home by 4 per cent, but claims costs fell by 7 per cent and a trend of spiralling claims in recent years had been checked.

Meanwhile, there was a 4 per cent increase in premiums from international insurance to SKr775m, while claims costs fell 14 per cent to SKr466m.

The group also showed benefits from the upward trend this year in capital markets. Unrealised capital gains, mainly in Trygg's bond portfolio, sent overall profits rocketing to SKr1.65bn from SKr436m.

The group's solvency margin - the ratio of shareholders' funds to premiums - at the end of the period stood at 151

per cent, compared with 134 per cent at the end of 1992. Claims costs from reinsurance rose in the first half to SKr1.23bn from SKr933m.

Trygg is cutting its exposure to reinsurance by 50 per cent, but said the benefits of this would not be felt until 1994. However, moves to reduce exposure to catastrophes had already paid off with only limited claims anticipated from recent events such as the floods in the US mid-west.

Trygg suffered traumatic losses of SKr5.2bn in 1992 as a result of writing down to zero the value of its holdings in Gots AB, the holding company for the collapsed Gotabank, and two collapsed credit insurers, Svenska Kredit and International Credit. The comparative figures excluded results from these three subsidiaries.

However, the board has already taken a 10 per cent pay cut from the beginning of the current financial year and will take a further reduction once a review of salaries by the remuneration committee is completed.

The committee, chaired by Mr Rupert Hambro who last week was confirmed as non-executive deputy chairman of the company, is also looking at the notice period in the contracts.

Last week, Mr Roger Braddow resigned as finance director. He received less than a year's salary in compensation.

The group's London subsidiary, Unidankmark Holding, cut a DKr506m loss in the first half last year to DKr186m. The London bank suffered from heavy losses in the property market.

A big improvement in the value adjustment for the securities portfolio was the main factor behind the group's move back into profit.

This item added DKr1.78bn to income compared with a loss of DKr128m in the first half last year and is a reflection of higher bond and share prices in Copenhagen.

Directors' pay up but Tiphook posts loss

By Maggie Urry in London

MR ROBERT Montague, executive chairman of Tiphook, the container and trailer rental group, had a pay rise from £245,000 to £251,000 in the financial year to end April, when the group made a net loss of £66.5m (£69.08m) against a profit of £31.7m last time, following changes to accounting policies.

Other directors also received higher salaries. All the directors' contracts are subject to three-year notice periods, the accounts, published yesterday, show. Such contracts are increasingly unpopular with institutional investors.

However, the board has already taken a 10 per cent pay cut from the beginning of the current financial year and will take a further reduction once a review of salaries by the remuneration committee is completed.

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ABB managers strip for action

Ian Rodger reports on the Swiss engineering group's streamlining

SINCE 1988, when Mr Percy Barnevik led Sweden's Asea engineering and robotics group into a merger with the venerable but flagging Swiss power engineering group Brown Boveri, the new ABB Asea Brown Boveri has hardly paused for breath.

But a new streamlined management structure unveiled by Mr Barnevik yesterday suggests that this uniquely multinational industrial group could move even faster in the future.

In the past five years, ABB has acquired some 80 companies all over the world, some of them, such as Combustion Engineering in the US, huge.

It has also marched boldly into eastern Europe, buying up rundown engineering companies and successfully injecting western management techniques. More recently, it has focused on fast growing Asian markets for its heavy infrastructure products.

Along the way, ABB managers have closed dozens of plants and, since the spring of 1990, eliminated more than 40,000 jobs. The group's non-recurring charges typically run at over \$100m a year.

But it now can claim that its \$32bn in annual sales are spread fairly evenly among the world's three main economic regions, whereas at the outset it was active mainly in European markets. It also claims to be the world's largest power engineering group whereas

Asea and Brown Boveri were marginal players.

However, it is not only ABB that has changed. As Mr Barnevik observes, the creation of huge, rather protectionist, regional trading blocks has happened with surprising speed. The economic integration of central and eastern European countries into the European block is also proceeding apace. And the elimination of protectionist barriers between western European countries is accelerating.

For a group which produces heavy infrastructure equipment - from power stations to railway locomotives - these changes have a big impact on the way it should conduct its business.

One consequence has been faster growth of large turnkey projects. Developing countries have always tended to purchase infrastructure on a turnkey basis because they did not have the engineering skills themselves. Now developed countries are moving that way as well, as privatised utilities shed the huge in-house design and engineering bureaucracies that flourished under state ownership.

Mr Barnevik recalled yesterday that when ABB was formed, his main objective was to make managers within the group's thousands of operating units more responsible for performance. No fewer than 5,000 profit centres were established.

The emphasis was on decentralisation and as few layers of middle management as possible.

Ha still likes those principles, but he and other ABB directors have found that they, and the management structures built to implement them, were not enough for the new environment in which they operate.

ABB managers have been fairly successful in preventing individual ABB companies from competing against each other for business, but they have failed so far to bring together all their resources for making bids on big turnkey projects.

Various group divisions supply most of the technology and equipment needed to build steel rolling mills and pulp and paper mills. However, as the know-how and marketing efforts are dispersed, ABB seldom makes effective bids for large integrated projects.

"We want to facilitate integrated system thinking," Mr Barnevik says.

"Thus, the power distribution and power transmission divisions are being combined. Most of the 'various activities' division is being put into an industrial plants division.

ABB has so far used the popular matrix management system, under which directors have both regional and line

responsibilities. But in the new executive board, this is being simplified, with three directors having only regional responsibilities and four only divisional responsibilities.

Mr Barnevik said some board directors had been chomping under the complexity of their responsibilities. The solution will be to push more tasks down to the next layer of management.

It remains to be seen how this will work out in practice. Mr Barnevik made clear that no management consultants had been used in the design of the new structure. "We have enough management talent here that if we put our heads together, we should not need consultants."

One thing is certain: the pace of change at ABB will remain brisk. Commenting on the group's decision to provide \$500m for plant closures this year, Mr Barnevik said he was unhappy having to put large sums into the profit and loss account every year for non-recurring costs.

"A group like ours will have to live with restructuring as a normal part of the business. So we are doing this big move now, and then I hope to get out of the habit of reporting non-recurring costs."

Asked what he thought an acceptable annual level of unhighlighted restructuring costs might be, he replied, "about 1 per cent of invoicing."

Unidanmark back in the black

By Hilary Barnes
in Copenhagen

UNIDANKMARK, Denmark's second-largest bank group, moved back into profit of DKr483m (\$99.7m) in the first half compared with a loss of DKr1.47bn in the same period last year - a loss of DKr4.5bn in the whole of 1992.

The bank said the result was in line with the budget and with the recovery strategy drawn up last autumn.

Costs were down by 6.2 per cent to DKr3.05bn from last year, with a reduction of 9.4 per cent in staffing to 11,463 compared with June 30 last year.

But the bank's forecast for the full year was cautious, promising "a substantially improved net result than last year," but leaving open the possibility of a loss.

The bank's loss provisions remained high at DKr2.34bn compared with DKr2.44bn in the first half of last year and DKr6.28bn in the whole of 1992. Provisions this year, the bank forecast, will be reduced.

The group's London subsidiary, Unidankmark Holding, cut a DKr506m loss in the first half last year to DKr186m. The London bank suffered from heavy losses in the property market.

A big improvement in the value adjustment for the securities portfolio was the main factor behind the group's move back into profit.

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Euro Disney denies closure

By Alice Rawsthorn in Paris

EURO Disney, the loss-making leisure group, yesterday took the unusual step of issuing a formal statement denying that it was considering plans for the temporary closure of its troubled theme park during the winter.

Analysts were perplexed by the company's decision to publish the statement, given that Euro Disney executives last week had verbally denied the temporary closure rumours.

The statement also did nothing to help Euro Disney's shares, which ended the day unchanged at FF56 despite the upward trend in Paris.

The figures shows that on May 24, Financing and Investments, a non-consolidated Curacao-based subsidiary, lent \$133.5m and FF439m (equalling L435m) to a Virgin Islands company called Exilar.

On Monday, shareholders at Montedison, Ferfin's main subsidiary, will vote on whether to extend legal action against former management. Earlier this month, the group's new executives, imposed by its main creditor banks, obtained a L500bn temporary sequestration order on assets of six former managers and the heirs of Mr Raul Gardini, its former chief.

On Tuesday, shareholders in Ferfin will decide on the plans to slash the nominal value of shares to L5 from L1,000. It is then proposed the shares be consolidated on the basis of 200 for one to restore the nominal value.

Ferfin issues figures on alleged irregularities

By Haig Simonian in Milan

FERRUZZI Finanziaria (Ferfin) yesterday fired a warning shot in the run-up to what is expected to be a decisive week for the troubled Italian group.

Montedison's new management yesterday issued the first official figures on an alleged L435bn irregularity in its 1992 accounts.

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Acquisitions give boost to Wolters Kluwer

By Ronald van de Krol
in Amsterdam

WOLTERS Kluwer, the Dutch publisher, yesterday reported a 26.6 per cent rise in net profit for the first half of 1993 and predicted that full-year net results would rise by more than 20 per cent.

Net profit totalled F1138m (\$72.66m) against F109m a year earlier, on sales up 8 per cent at F1.25bn.

The company said a series of acquisitions since mid-1992 accounted for over half of the 25 per cent rise in first-half operating profit to F1225m.

Recent acquisitions, plus financing for educational activities in Sweden, helped push financing costs up to F17m from F10m a year earlier.

Wolters Kluwer's first-half results were slightly above expectations, and its shares rose by F1.70 to close at a year's high of F1.99.

In its forecast for 1993, the company said also said net earnings per share would rise by about 17 per cent this year on a full-diluted basis.

In 1992, net profit rose 20.4 per cent to F1.257bn, while net profit per share increased by 19.9 per cent to F1.15 a share.

GT Chile Growth Fund Limited

The Board of Directors of GT Chile Growth Fund Limited announced on 10 August 1993 the unaudited results for the Company for the six months ended 30 June, 1993. This is the fourth interim report of the Company.

Results for the six months to 30 June, 1993

	6 months to 30 June 93	6 months to 30 June 92	Year Ended 31.12.92
	US\$	US\$	US\$
ASSETS			
Investments	308,108,249	313,728,154	281,510,494
Net current liabilities/assets	(7,724,611)	(2,014,934)	7,729,036
NET ASSETS	300,383,638	311,713,220	289,239,530
Issued shares	17,000,000	10,175,957	17,000,000
Net Asset Value per share			
- basic	\$25.34	\$30.79	\$24.10
- diluted	\$27.39	\$27.74	\$24.10
INCOME			
Dividends and bond interest	10,614,216	7,942,577	14,372,546
Deposit interest	63,930	27,027	(50,057)
Management expenses	(7,078,145)	(7,700,334)	(14,322,611)
Profit before taxation	13,600,000	12,739,000	19,446,589
Chilean taxation	(8,009,473)	(5,230,632)	(9,076,356)
NET INCOME	5,590,527	7,508,368	10,370,233
Earnings per share			
- basic	\$0.33	\$0.44	\$0.73
- fully diluted	\$0.39	\$0.45	\$0.73
Dividend per share	\$0.20	-	\$0.72
- from prior years' earnings	\$0.23	-	\$0.25
- from current earnings	\$0.33	-	-
Analysis of the Portfolio			
	30 June 93	30 June 92	31.12.92
	%	%	%
Chilean equities	88	95	88
Long term Chilean bonds	2	2	2
Short term Chilean bonds	10	11	1
Net current liabilities/assets	-	-	-
	100	100	100

An interim dividend was declared of \$0.60 per share, in accordance with the previously announced distribution policy. \$0.25 per share relates to the period from the inception of the Company in February 1993 to 31 December 1992, the earnings of which are being distributed in down capital instalments between March 1993 and March 1994. The balance of the dividend of \$0.35 is to be paid out of the earnings of the current year. For the six months ended 30 June 1993, the earnings per share amounted to \$0.36. The dividend, amounting to \$7,200,000, will be paid on 30 September 1993 to shareholders of record on 31 August 1993.

In the six months ended 30 June 1993, the net assets of the Company increased by 5.4% to \$304,228,638 as against a rise of 1.7% in the ICPA Index, and of 4.4% in the IPSA Index, expressed in US Dollar terms.

By 10 August 1993, the latest practicable date before the announcement of these results, net assets per share had risen to \$26.23.

The Company's Interim Report will be despatched to Shareholders as soon as possible.

Copies of this statement will also be available from GT Management PLC, Albion Gate, 14th Floor, 125 London Wall, London, EC3A 5SE, United Kingdom.

By ORDER OF THE BOARD

David Smith, Secretary

The Bank of Bermuda Limited, Bank of Bermuda Building, 6 Front Street, Hamilton, HM11, Bermuda

FOURTH INTERIM RESULTS

NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER OF

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED (AAC)

ANGLO AMERICAN GOLD INVESTMENT COMPANY LIMITED (AMGOLD)

REGARDING A RENOUNCEABLE OFFER TO SUBSCRIBE FOR SHARES IN EASTVAAL GOLD HOLDINGS LIMITED (EASTVAAL)

Copies of the Eastvaal Prospectus ("the Prospectus") containing the renounceable offer to subscribe for Eastvaal shares ("the offer") and a circular to members of AAC and Anggold both dated 24 August 1993 together with a Listing and Acceptance Form and a Listing and Request Form referred to in paragraph 10.9.2 of the Prospectus, will be available at the offices of the undersigned paying agents of AAC and Anggold respectively from Friday 3 September 1993. The offer contained in the Prospectus is of renounceable rights to subscribe for ordinary shares of Eastvaal at 250 cents per share payable in full in the currency of the Republic of South Africa on the basis of 15 Eastvaal shares proportionately to every 100 AAC shares and 30 Eastvaal shares proportionately for every 100 Anggold shares. The offer also entitles offerors or renouncees to apply for additional Eastvaal shares. The offer is subject to the terms and conditions set out in the Prospectus. To participate in the offer holders of share warrants to bearer are required to submit AAC coupon no. 121 or Anggold coupon no. 92, as applicable, detached from share warrants to bearer, together with a duly completed Listing and Acceptance Form or a Listing and Request Form. Such holders are required to comply with the terms and conditions of the Prospectus including the South African exchange control regulations as set out in paragraph 10.11 of the Prospectus regarding, inter alia, acceptance of the offer and application for additional shares.

1. AAC Paying Agents

Barclays Bank PLC, 100 Boulevard Haussmann, 75009 Paris, France

Banque Paribas, 100 Boulevard Haussmann, 75009 Paris, France

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Banque Paribas, 100 Boulevard Haussmann, 75009 Paris, France

Banque Paribas, 100 Boulevard Haussmann, 75009 Paris, France

Beatrix Mines Limited

Incorporated in the Republic of South Africa

Registration No. 77/02134/06

Share capital authorised - 150,000,000 ordinary shares of no par value

Issued - 29,000,000 ordinary shares of no par value

Dividend Declaration

NOTICE IS HEREBY GIVEN that a final dividend of 16 cts per share, in respect of the six months ending 31 August 1993 has been declared, payable to members registered at the close of business on 10 September 1993.

The dividend is declared in the currency of the Republic of South Africa. Payments from the United Kingdom office will be made in Sterling at the rate of exchange ruling on 8 October 1993, or the first day thereafter on which a rate of exchange is available.

INTERNATIONAL COMPANIES AND FINANCE

End of bid war clears way for US energy merger

By Frank McCarty in New York

THE DECISION by Ipalco Enterprises, parent of Indianapolis Power & Light, to end its bid for PSI Resources has cleared the way for PSI's friendly merger with Cinchon Gas & Electric.

Mr John Hodowal, Ipalco chairman and chief executive, surprised PSI's annual meeting on Monday by announcing that the company was dropping its \$20.50 tender offer for PSI shares.

This was because Ipalco had failed to gain sufficient proxies to elect five candidates to PSI's 14-member board.

The fight for PSI, which supplies electricity to 600,000 customers in the counties surrounding Indianapolis, is another ripple in a wave of consolidation that analysts expect to sweep the US utility industry in the coming years.

Until recently, hostile takeovers have been rare. However, with utilities facing growing competition in the

wake of federal deregulation, many are seeking to trim their costs through economies of scale.

"I wouldn't be surprised to see 25 per cent of the industry involved in consolidation over the next five years," said Mr Daniel Scott, an analyst with Donaldson, Lufkin & Jenrette Securities in New York.

"Already, in the past three or four years, the industry has seen more consolidation than it had over the previous 50 years."

PSI has estimated that it would save about \$1bn in fuel, maintenance and other costs over the next 10 years through a merger with C&E. The two utilities are proposing to form a new company called CINergy, with shareholders of each swapping their shares for shares in the group.

The value of the deal is linked to the value of shares in the Ohio-based utility.

The PSI-C&E link is still contingent on regulatory approval. Indiana utility regulators are expected to focus on

the threat of predatory pricing, which could endanger Ipalco, a utility that serves an area encircled by that served by PSI. Ipalco's proposed takeover of PSI was largely a defensive action to prevent its neighbouring rival from gaining a competitive edge.

State approval of the merger was not a foregone conclusion, said Mr Scott. He said regulators would examine how the deal would affect the state as a whole. PSI would have to demonstrate clearly that the proposed merger would indeed result in savings to ratepayers throughout the region.

Regulatory approval was the issue that appeared to turn the tide in the PSI proxy fight away from the Ipalco proposal.

In the end, shareholders seemed convinced by the argument of PSI management that the high premium to book value that Ipalco was willing to pay would be viewed unfavourably by state authorities because of the impact on electricity rates.

Japanese brokers move into banking

By Eniko Terazono in Tokyo

JAPAN'S Big Four brokers - Nomura Securities, Daiwa Securities, Nikko Securities and Yamabuchi Securities - have moved into the banking business by setting up trust banking subsidiaries.

The move follows April's partial deregulation of the barriers between the banking and securities industries in Japan. It follows the creation of securities subsidiaries by the three long-term credit banks and Norinchukin, the central agricultural institution.

The move into the trust banking business will have little immediate impact on the brokers' group profits or to the operations of existing trust banks. The range of businesses of the new banking subsidiaries will be limited to investment trusts, land trusts and foreign exchange.

The new trust banks, capitalised between ¥20bn (\$194m) and ¥30bn, will not have access to the special loan trusts, or *tokkin* funds, the specified investment trust funds, thus the territory of the existing trust banks will be protected.

The securities subsidiaries of the long-term credit banks, including Industrial Bank of Japan and Long-Term Credit Bank, started underwriting bonds in June. The brokers fear that the banks, which have links to leading stock market-listed companies, have more to gain from liberalisation.

Mr David Marshall, analyst at IBCA, the banking credit agency, said the brokers' entry into the banking business would have little impact on the financial industry in the foreseeable future.

The new subsidiaries, along with Bank of Tokyo's new trust banking unit, will start operations around October, after authorisation from the ministry of finance.

Matsushita Electric suffers 7% fall

By Michio Nakamoto in Tokyo

MATSUSHITA Electric, hit by weak sales and a strengthening yen, yesterday reported a 7 per cent decline, to ¥33.7bn (\$262.2m), in first-quarter consolidated pre-tax profits.

The Japanese consumer electronics group said sales were down 7 per cent, to ¥1,596bn compared with a previous ¥1,713bn. Net income was 23 per cent lower at ¥6.7bn against ¥8.7bn.

Matsushita, in common with other Japanese consumer electronics manufacturers, has suffered the impact of the high yen, continuing sluggish demand for audio-visual products, and a cool summer in Japan.

Although sales in overseas markets were actually higher than the previous first quarter on a local currency basis, the gains evaporated under the impact of the higher yen, Matsushita said.

In Japan, the company continued to face weak demand as consumer spending tailed away. The weakness of personal consumption and private capital spending have been cited as the main factors preventing the Japanese economy from recovering.

Sales of video products declined 13 per cent, while audio equipment fell 6 per cent on slow demand.

Home appliances were down 13 per cent as sales of air conditioners were hurt by an

unusually cool summer in Japan. Demand for communication and industrial equipment was also weak.

Matsushita is currently enjoying huge box-office success with Jurassic Park, a movie produced by its MCA film studio subsidiary. However, it still suffered a 2 per cent decline in sales from its entertainment businesses.

This was blamed on the yen's appreciation, which more than offset an increase in dollar-based sales, the company said.

Although Matsushita has had some recent consumer successes, such as an advanced rice cooker, and cordless telephones, it has faced prolonged weakness in the Japanese market, particularly for audio-visual products.

The strong demand expected for key products, such as the digital compact cassette, a digital portable audio format developed with Philips, the Dutch consumer electronics group, has not materialised. It will take considerable time for demand to emerge for other promising products, such as high-definition TV.

The company's second-quarter results are expected to be disappointing.

Private consumption is not expected to improve significantly in the near term, unless the government agrees to an income tax cut soon.

Nissan cuts European suppliers to UK and Spanish plants

By Kevin Done, Motor Industry Correspondent

NISSAN, the Japanese carmaker, has reduced the number of European-based suppliers to its UK and Spanish plants in the last year.

It has cut the number of its suppliers in Europe to 431 from 470 a year ago, and the total is expected to fall to between 350 and 400 by the end of the decade, according to Mr Bob Hampson, Nissan Europe's purchasing general manager.

The reduction of its supplier base, a trend common throughout the motor industry, is part of its attempt to rationalise the number of companies supplying its separate vehicle manufacturing operations in the UK and Spain.

Of its current suppliers in Europe, Nissan has 214 in Spain, 143 in the UK, 36 in

Germany, 20 in France, and seven in Italy.

Its two European manufacturing operations, Nissan Motor Manufacturing in the UK and Nissan Motor Iberica in Spain, are expected to buy components for both its UK and Spanish operations.

At present, only 37 of Nissan's suppliers in Europe produce components for both its UK and Spanish operations. However, Nissan is pushing hard to increase the number of common suppliers as an important step in cutting the heavy losses of its less efficient Spanish business.

The number of suppliers to its UK car plant has grown from 31 in 1986, when the Sunderland factory first began small-volume production, to the present level of 198.

The main effort to rationalise the supply base will continue to be in Spain, where Nissan acquired the former

supplier numbers has already been achieved by Nissan Motor Iberica, which has more than halved its supply base from 560 suppliers five years ago.

At present, only 37 of Nissan's suppliers in Europe produce components for both its UK and Spanish operations. However, Nissan is pushing hard to increase the number of common suppliers as an important step in cutting the heavy losses of its less efficient Spanish business.

The number of suppliers to its UK car plant has grown from 31 in 1986, when the Sunderland factory first began small-volume production, to the present level of 198.

The main effort to rationalise the supply base will continue to be in Spain, where Nissan acquired the former

Caltex passes dividend

By Bruce Jacques in Sydney

CALTEX, the Australian petroleum group, has again passed its dividend despite a strong earnings recovery in the six months to June.

The company lifted net profit to A\$35.5m (US\$23.6m) from A\$7.9m for the half-year, on a 7 per cent revenue rise to A\$1.75bn. The result followed a widening of operating margins, and a A\$9.7m benefit from lower tax.

Interest costs eased from A\$2.3m to A\$2.2m. However, falling crude oil prices and petroleum product discounting is clouding the outlook for the current six months, Caltex says. As a result, there is again no interim dividend.

Bank of Melbourne, the regional bank, has shrugged off a big increase in doubtful debt provisions to record a strong profit lift for the year ended June.

Net earnings have jumped from A\$8.6m to A\$91.2m despite a 7 per cent fall, to A\$47.9m, in total revenue. The dividend is going up from 13 to 30 cents a share.

The result reflected a A\$74m abnormal loss in the previous year. Gross profit rose just 5 per cent to A\$37.1m. Doubtful debt provision rose 47 per cent to A\$42.6m.

Tax provision took A\$36m, against A\$2.5m previously.

PWA, parent of Canadian Airlines, has rejected Air Canada's offer to buy its international routes for C\$200m (US\$151m) and assumption of C\$900m debt and lease obligations, writes Robert Gibbons.

PWA, said its directors decided the offer would "adversely affect" the interests of shareholders, creditors, employees and customers.

Mr Rhys Eytton, PWA chairman, said the net purchase price would really be C\$100m for routes generating C\$1.4bn annual revenues. Also, PWA would be left with 23 surplus aircraft. Total cost of downsizing Canadian Airlines to a domestic and trans-border carrier would be C\$440m, he said.

Nintendo plans new video games range

NINTENDO America, the US arm of the Japanese video game maker, announced plans for a new generation of home video game machines using advanced microprocessor and computer graphics technology provided by Silicon Graphics, writes Louise Kehoe in San Francisco.

Nintendo said the new game machine would be available in 1995 at less than \$250.

Northam hit by mine production shortfalls

FAILURE to achieve production targets was blamed for an accumulated loss of R47.1m (\$14m) for the year ended June at Northam, the platinum mine in the Gold Fields group. Northam, which raised R360m

Bank of Montreal slightly ahead

By Robert Gibbons in Montreal

BANK OF MONTREAL, Canada's third-biggest chartered bank, yesterday reported third-quarter net profits of C\$18.8m (US\$12.6m), or 56 cents a share, slightly better than expected. This compared with C\$17.3m, or 54 cents a share, a year earlier.

The bank's chairman, Mr Matthew Barrett, said that despite higher provisions for credit losses, loan volumes were higher and securities trading and other income were up strongly. He said costs had

been kept under control. Total revenues were up 7 per cent in the quarter, which ended July, and managed to grow at a faster rate than expenses.

Most Canadian analysts had estimated the bank's third-quarter net profit would be 60 cents a share, said Mr Roy Palmer, bank analyst with Baring Warburg in Montreal.

For the first nine months of the year, the bank earned C\$60.6m, or C\$1.86 a share, up 5.9 per cent from C\$48.0m, or C\$1.79 a share, a year earlier.

Revenues rose 8.9 per cent and the increase in expenses, after exchange factors and taxes, was held to less than 2 per cent. Return on average equity was 13.6 per cent, against 14.4 per cent a year earlier.

Provision for credit losses was increased 4 per cent to C\$675m. Non-performing loans totalled C\$2.1bn at end-July, up 2 per cent. Total assets stood at C\$111bn, against C\$105bn a year earlier.

Bank of Montreal is the first of Canada's big six commercial banks to report its third-quarter results.

Haeco profits up strongly as sales climb

By Simon Davies in Hong Kong

HONG Kong Aircraft Engineering Company (Haeco), a Swire Pacific group company, yesterday announced an 18 per cent increase in net profit for the six months ended June. The result was HK\$213.5m (US\$27.4m), up from HK\$180.5m in 1992.

Turnover increased by 10 per cent to HK\$1.01bn. This was attributed to heavy utilisation of the company's aircraft maintenance and engine overhaul facilities.

Earnings were also boosted by a maiden contribution from the group's 26 per cent-owned Australian aircraft maintenance company, Asta Aircraft Services, which had been a consistent loss-maker.

With the continued expansion of Cathay Pacific's air fleet, and that of its associate airline Dragonair, Haeco is expected to operate at full maintenance capacity during the second half.

The interim dividend is going up to 30 cents a share, against 27 cents in 1992.

Lending increase boosts Indonesian listed banks

By William Keeling in Jakarta

INDONESIA'S stock market-listed banks have announced mostly improved results for the first half of 1993. They were helped by an increase in lending as banks lowered interest rates but maintained margins.

Bank Internasional Indonesia posted a 35 per cent rise in gross profit, to Rp83.7bn (\$39.9m), while gross profits at LippoBank rose 54 per cent to Rp31.3bn. Gross profits at Bank Niaga climbed 6.6 per cent to Rp22.4bn, and at Panin Bank by 5 per cent to Rp21.45bn.

Bank Bali was alone among the leading listed banks to report lower gross profits. It suffered a 14.3 per cent setback to Rp42.5bn.

Most banks have also seen an increase in loan growth and deposits. LippoBank's loans in the first half grew 15 per cent after asset reclassification, to Rp3,090bn, and deposits rose 10 per cent to Rp3,400bn. BNI's loans and deposits grew 8.5 per cent and 11 per cent, to Rp3,850bn and Rp3,883bn respectively.

The banks have taken advantage of the lending constraints on state banks, which account for about half the sector's assets. Most state banks have failed to reach higher capital adequacy requirements set by the central bank and have been told to limit new lending.

Local brokers expect listed banks to raise more capital by the end of this year to further increase loan growth.

German SE system to expand

GERMANY'S computerised stock exchange trading system this will be extended to include trade in 16 D-Mark Eurobonds. Renter reports from Frankfurt. The extension takes effect in two weeks.

The new Eurobonds are heavily-traded issues from sovereign, supranational and private issuers. This was launched in April 1991 to trade the 30 shares which form the Dax index and 30 government bond issues. Six more shares and 21 option certificates were added last year.

Novo Nordisk to invest \$8m in US researcher

By Hilary Barnes in Copenhagen

NOVO Nordisk is making an \$8m equity investment in Amergen, a Californian pharmaceutical research company. The deal gives the Danish company 17.5 per cent of Amergen.

The agreement between Novo Nordisk, a leading force in insulin production and diabetes care, will give the Danish group marketing rights (outside North America) to products developed by Amergen, which specialises in developing therapies for a group of diseases including diabetes and multiple sclerosis.

In addition to the investment, Novo Nordisk will fund research and development programmes, bringing its total investment in Amergen to around \$25m, said Novo Nordisk.

This announcement appears as a matter of record only.

August 1993

Norgeskredit AS

US\$100,000,000
Term Loan Facility

Arranger

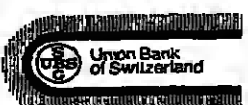
Union Bank of Switzerland

Co-Arranger & Agent
Den norske Bank AS

Managers

Bremer Landesbank
Christiana Bank og Kreditkasse
Dresdner Bank Luxembourg S.A.
Landesbank Schleswig-Holstein International S.A.
Norddeutsche Landesbank Luxembourg S.A.
Vereins- und Westbank AG
WestLB Group

Participants

Banque Bruxelles Lambert France
Banque et Caisse d'Epargne de l'Etat, Luxembourg
BHP-Bank, London Branch
Westfalebank Aktiengesellschaft

CS FIRST BOSTON GROUP

CSFB Finance B.V.
US\$200,000,000
Guaranteed subordinated
floating rate notes due
August 2003Guaranteed on a subordinated
basis by
CS First Boston Group, Inc.Notice is hereby given that for
the interest period 25 August 1993
to 25 February 1994 the notes will
carry an interest rate of 5.50%
per annum. Interest payable on
25 February 1994 will amount to
US\$28.11 per US\$100,000 note and
US\$28.11 per US\$100,000 note.Agent: Morgan Guaranty
Trust Company

JPMorgan

First Union Corporation
U.S. \$150,000,000
Floating Rate
Notes due 1996The rate of interest per annum
on First Union Corporation's
U.S. \$150,000,000 Floating
Rate Notes due 1996 for the
interest period beginning
24th August, 1993, and ending
24th November, 1993, the new
interest payment date, will
be 3.375%. The amount of
interest payable for such interest
period on each \$100,000
principal amount of the Notes
will be \$36.35.Buckner Trust
Company, London Agent Bank

Acquisitions Monthly

Europe's
Leading
M & A
Magazine"The
Boutique
Banks"August Issue
0892 515454US\$ 100,000,000
SKOPBANK
Floating Rate Notes
due 1994Interest Rate 3.5% p.a.
Interest Period August 23, 1993
November 23, 1993Interest Amount due on
November 23, 1993 per
US\$ 1,000 US\$ 8.24
US\$ 10,000 US\$ 82.44Banco Comercial de Luxembourg
Agent Bank

AGA Interim Report 1993

Income after financial items increased by 4 percent
to SKr 766m (1992: 738m).The earlier forecast of an improvement in full year income
after financial items remains unchanged.The AGA Group's sales for the first half
of 1993 increased by 32% to SKr 7,341m
(1992: 5,561m), and operating income increased
by 25% to SKr 766m (634m).AGA invested SKr 835m (\$38m) in new
plant and equipment, of which SKr 67m
(754m) was attributable to Gas Operations and
SKr 179m (\$8m) to Frigoscandia.Gas Operations' sales increased by 24% to
SKr 5,451m (4,392m) and operating income
improved by 14% to SKr 697m (612m), primarily
as a result of higher exchange rates. Operating
income amounted to 12.8% of sales
compared with 12.9% for the full year 1992.Frigoscandia's sales increased by 38% to
SKr 2,093m (1,521m) of which 46 percentage
points came from the acquired cold storage
companies CEGF, etc. A SKr 73m increase in
operating income to SKr 95m is explained by
the contribution from the new companies.Most of Frigoscandia's income is generated
during the second half of the year.The Gullspång Group reports operating
earnings of SKr 1,555m (1,452m) for the first
half of 1993 and operating income of SKr
345m (282m). Income after financial items
amounted to SKr 318m (269m), and AGA's
34% share was SKr 108m (\$5m).

AGA's 1993 Interim Report can be ordered from AGA AB, Information, S-181 81 Lidings, Sweden, tel. +46 8 731 11 50.

AGA is one of the world's largest producers of gases for industrial and medical applications with sales in 32 countries
in Europe, the US and Latin America. The Group's operations also include Frigoscandia which is the world's leading
company for the freezing, storage and transport of food. The associate company Gullspång Kraft is one of the largest
power producers in Sweden.

AGA

AGA Alnabrog, S-181 81 Lidings - Sweden

INTERNATIONAL CAPITAL MARKETS

Overseas selling may signal end of bull run in gilts

By Peter John in London and Patrick Harverson in New York

THERE were signs yesterday that the bull run in the UK government bond market might be losing momentum. It may have been straws in the wind, but dealers reported overseas selling, particularly from Europe and eastern Asia. They also mentioned switching into German and French government paper.

GOVERNMENT BONDS

The main slide occurred in maturities longer than 10 years, the area which recently experienced the biggest gains once the market had latched on to the belief that the UK

which respond to interest rate changes rather than inflation perceptions, held steady ahead of a hoped-for rate cut in Germany tomorrow.

Debate over a German rate cut continued to transfuse the German debt market while switching and position-taking ahead of an auction today unsettled prices.

Investors were selling the most recent 10-year issue to buy bonds issued by the Treasury, the agency responsible for the sale of former East German companies, because the spread between the two presented an arbitrage opportunity.

Also, considerable interest from domestic and international investors ahead of an auction of between DM4bn and DM6bn of four-year Schatz bonds diverted attention.

FT FIXED INTEREST INDICES												
	Aug 24	Aug 23	Aug 22	Aug 21	Aug 18	Aug 16	Year Avg	High *	Low *			
Govt Secur (UK)	101.51	181.58	107.17	102.01	102.38	87.56	102.38	88.28	88.28			
Fixed Interest	123.87	123.93	124.27	124.24	124.34	103.82	124.34	102.54	102.67			
Basis: 100 Government Securities 15/10/1958; Fixed Interest 1/1/1958												
For 1953, Government Securities High price completion: 127.40 1/16% low 45.18 3/16% Fixed Interest high price completion: 124.54 (18/6/53) low 80.63 (31/7/53)												
GILT EDGED ACTIVITY												
Indicator*	Aug 23	Aug 20	Aug 19	Aug 16	Aug 17							
UK Exposed Foreigners	92.5	92.4	181.2	118.9	103.5							
90-day average	102.1	101.6	106.6	112.7	111.6							
* 55 gilt-edged securities issued 1974												

Wage doubles to £7m midway

Profits from the US operation fell to £3.2m (£3.7m). Mr



Businesses in continental

● **COMMENT**
Eliminating costs and refocusing the businesses, particularly in the UK, has produced a sat-

isfactory result. So far, so good. The real test of Mr Grice's capability is still to come. If he can rejuvenate the US operations, which were once lined up for a fire sale, and grow the businesses across both sides of the Atlantic without the benefits of a restructuring, investors will have a lot more to thank him for. With forecast annual pre-tax profits of £15m, the shares – up 5p to 145p – are fairly priced on a prospective multiple of 16.

● **Leeds & Holbeck Building Society** showed an increase in pre-tax profits to £2.88m (£2.79m). The society, which is the 17th largest with assets of £2.45bn (£2.29bn), raised provisions to £9.2m (£7.4m).

Basic losses per share were 1.9p (earnings of 1p). A £21,000 dividend on the cumulative convertible preference shares is being passed.

Acquisitions in the first half of this year have been relatively modest with new businesses added in Canada, the UK and Ireland.

Earnings per share increased by 15.6 per cent to 7.03p. The interim dividend is lifted 15 per cent to 0.91p (0.79p).

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Ad U.S. Department of Transportation

Structured, Acented and Syndicated by Chemical Bank


CHEMICAL

NATWEST MARKETS
Corporate & Investment Banking

	Closes	Previous	High/Low	1 yr
ib	32.775	30.050	40.100	37.050
ib	48.350	47.875	48.350	47.850
ib	47.875	47.375	48.700	47.850
ib	48.580	47.800	48.150	47.850
ib	49.900	50.000	0	48.950
ib	49.300	48.750	49.300	48.900

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

15	-	177.4
20	-	0.4
25	0.4	94.4
30	0.2	81
35	0.2	10.1
40	-	158.8
45	-	17
50	119	48
55	4	88
60	206	0.4
65	188	0.4
70	163	0.4
75	144	0.4
80	21	1.7
85	30	3.3
90	288	0.8
95	20	0.4
100	148	1.8
105	148	1.2
110	148	1.2
115	91	2.5
120	37	-
125	270	-
130	51	-
135	11	2.8
140	107	3.8
145	114	0.4
150	107	7.8
155	188	8.8
160	27	11.8
165	11	11.8
170	107	9.8
175	107	9.8
180	107	9.8
185	107	9.8
190	107	9.8
195	107	9.8
200	107	9.8
205	107	9.8
210	107	9.8
215	107	9.8
220	107	9.8
225	107	9.8
230	107	9.8
235	107	9.8
240	107	9.8
245	107	9.8
250	107	9.8
255	107	9.8
260	107	9.8
265	107	9.8
270	107	9.8
275	107	9.8
280	107	9.8
285	107	9.8
290	107	9.8
295	107	9.8
300	107	9.8
305	107	9.8
310	107	9.8
315	107	9.8
320	107	9.8
325	107	9.8
330	107	9.8
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340	107	9.8
345	107	9.8
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360	107	9.8
365	107	9.8
370	107	9.8
375	107	9.8
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390	107	9.8
395	107	9.8
400	107	9.8
405	107	9.8
410	107	9.8
415	107	9.8
420	107	9.8
425	107	9.8
430	107	9.8
435	107	9.8
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445	107	9.8
450	107	9.8
455	107	9.8
460	107	9.8
465	107	9.8
470	107	9.8
475	107	9.8
480	107	9.8
485	107	9.8
490	107	9.8
495	107	9.8
500	107	9.8
505	107	9.8
510	107	9.8
515	107	9.8
520	107	9.8
525	107	9.8
530	107	9.8
535	107	9.8
540	107	9.8
545	107	9.8
550	107	9.8
555	107	9.8
560	107	9.8
565	107	9.8
570	107	9.8
575	107	9.8
580	107	9.8
585	107	9.8
590	107	9.8
595	107	9.8
600	107	9.8
605	107	9.8
610	107	9.8
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625	107	9.8
630	107	9.8
635	107	9.8
640	107	9.8
645	107	9.8
650	107	9.8
655	107	9.8
660	107	9.8
665	107	9.8
670	107	9.8
675	107	9.8
680	107	9.8
685	107	9.8
690	107	9.8
695	107	9.8
700	107	9.8
705	107	9.8
710	107	9.8
715	107	9.8
720	107	9.8
725	10	

INVESTMENT TRUSTS - Cont.

Trust Name	Price	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	594	593	592	591
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FT MANAGED FUNDS SERVICE

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INSURANCES

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OTHER UK UNIT TRUSTS

Life of the Church of England Assurance Co Ltd 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 90

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

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ROCK MARKETS

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CANADA												
Sales	Stock	High	Low	Close	Chg	Sales	Stock	High	Low	Close	Chg	
TORONTO												
-1 pm close August 24												
Outstanding in cents unless marked \$												
1750 Albita	\$17	12 1/2	12 1/2	12 1/2	-	6015 Echo Bay	\$16 1/2	15 1/2	15 1/2	15 1/2	-	
185661 Agfco	\$17 1/2	17 1/2	17 1/2	17 1/2	-	9100 Enco Inc	\$15	14 1/2	14 1/2	14 1/2	-	
23550 Alcan	\$20	19 1/2	19 1/2	19 1/2	-	10400 Enbridge	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
18562 Alcan Int	\$18 1/2	18 1/2	18 1/2	18 1/2	-	36500 Euro Rev	\$5 1/2	5 1/2	5 1/2	5 1/2	-	
2448 Alcan Int	\$17 1/2	17 1/2	17 1/2	17 1/2	-	3300 FPL Inc	\$34	33 1/2	33 1/2	33 1/2	-	
277025 Alcan Int	\$34 1/2	34 1/2	34 1/2	34 1/2	-	12000 Fintech	\$81 1/2	81 1/2	81 1/2	81 1/2	-	
208520 Am Barr	\$34 1/2	34 1/2	34 1/2	34 1/2	-	6300 Fintech	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
22570 Citzo	\$14	14	14	14	-	23000 Fintech	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
47817 Bt Mount	\$21 1/2	20 1/2	20 1/2	20 1/2	-1/4	3000 Gums A	\$18 1/2	18 1/2	18 1/2	18 1/2	-	
133668 Bt Infra S	\$21 1/2	20 1/2	20 1/2	20 1/2	-1/4	37500 Gums B	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
10081 Bt Corp	\$21 1/2	20 1/2	20 1/2	20 1/2	-1/4	23000 Gums C	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
11847 Bt Corp	\$21 1/2	20 1/2	20 1/2	20 1/2	-1/4	25130 Gums D	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
60401 Bt Corp	\$21 1/2	20 1/2	20 1/2	20 1/2	-1/4	37500 Gums E	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
10400 Bt Corp	\$21 1/2	20 1/2	20 1/2	20 1/2	-1/4	37500 Gums F	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
11536 Bt Corp	\$21 1/2	20 1/2	20 1/2	20 1/2	-1/4	37500 Gums G	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
16479 Bt Corp	\$21 1/2	20 1/2	20 1/2	20 1/2	-1/4	37500 Gums H	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
949456 Bt Corp	\$21 1/2	20 1/2	20 1/2	20 1/2	-1/4	37500 Gums I	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
155623 Bt Corp	\$21 1/2	20 1/2	20 1/2	20 1/2	-1/4	37500 Gums J	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
8644 Bt Corp	\$21 1/2	20 1/2	20 1/2	20 1/2	-1/4	37500 Gums K	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
300 Bt Corp	\$21 1/2	20 1/2	20 1/2	20 1/2	-1/4	37500 Gums L	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
112300 CAE Int	\$5 1/2	5 1/2	5 1/2	5 1/2	-	22300 Hensco A	\$9	8 1/2	8 1/2	8 1/2	-	
86520 CAE Int	\$5 1/2	5 1/2	5 1/2	5 1/2	-	6075 Hensco B	\$26	26	26	26	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	41500 Hensco C	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	61120 Hensco D	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco E	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco F	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco G	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco H	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco I	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco J	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco K	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco L	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco M	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco N	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco O	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco P	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco Q	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco R	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco S	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco T	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco U	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco V	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco W	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco X	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco Y	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco Z	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AA	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AB	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AC	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AD	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AE	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AF	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AG	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AH	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AI	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AJ	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AK	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AL	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AM	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AN	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AO	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AP	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AQ	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AR	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AS	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AT	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AU	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AV	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AW	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AX	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AY	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco AZ	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco BA	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco BB	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco BC	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco BD	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco BE	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco BF	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco BG	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco BH	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco BI	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco BJ	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco BK	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco BL	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco BM	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco BN	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco BO	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco BP	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco BQ	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco BR	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco BS	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco BT	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3000 Hensco BU	\$17 1/2	17 1/2	17 1/2	17 1/2	-	
33000 Cambridge	\$14 1/2	14 1/2	14 1/2	14 1/2	-	3						

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AMERICA

Airlines, cyclicals up as Dow peaks again

Wall Street

US stock markets advanced further into record territory yesterday morning amid futures-related buying and continued strong demand for cyclical and airline stocks, writes Patrick Harrington in New York.

At 1pm, all the major indices were at new record highs. The Dow Jones Industrial Average was up 17.32 at 3,656.25. The more broadly based Standard & Poor's 500 was 2.21 higher at 461.98, while the Amex composite was up 0.97 at 256.12, and the Nasdaq composite up 1.45 at 736.59. Trading volume on the NYSE was 1.5bn shares by 1pm.

Low interest rates, the lack of alternative attractive investments, and slowly-building confidence in the economic outlook have been cited as the main factors behind the markets' recent record-breaking run. That run showed no sign of faltering yesterday, as heavy buying of stock futures and sustained demand for cyclical and other economically-sensitive stocks continued to push prices to new highs.

Investor sentiment is so strong, in fact, that it can brush off seemingly bad economic news, such as yesterday's 3.8 per cent decline in July durable goods orders. That headline number, however, was not as bad as it looked, because the decline was entirely the result of lower aircraft orders: excluding the transportation component, orders actually rose last month. Investors were also cheered by good news from the housing market, where existing home sales rose 5.4 per cent in July.

Airline stocks were in demand after the securities house, First Boston, raised its rating for Delta Air Lines from a "hold" to a "buy". Delta climbed 2 1/2% to \$55 1/4, AMR, parent of American Airlines, rose 1 1/2% to \$67 1/4, USAir rose 3/4% to \$31 1/4, and UAL firmed 3/4% to \$150.

Cyclicals remained firm. Ford rose 3/4% to \$52 1/4. General Motors added 1/4% to \$47 1/4. Chrysler added 1/4% to \$42 1/4. Caterpillar, which led the market higher on Tuesday, added another 3/4% to \$82 1/4. General Electric firmed 3/4% to \$88 1/4, and Minnesota Mining & Manu-

facturing put on 3/4% at \$108.

Philip Morris was a notably poor performer, dropping 3/4% to \$48 1/4 in volume of 4m shares after the breaking house, Smith Barney Shearson, lowered its rating on the stock from "outperform" to "neutral" because of the company's failure to raise its dividend.

Toys R Us rose 1/2% to \$36 1/4 in busy trading on press reports that the company plans to open Books R Us departments in its main toy stores following the success of a pilot scheme. Bell Atlantic jumped 3 1/2% to \$60 1/4 on the news that a federal court had ruled that the company can enter the video-programming business.

Canada

TORONTO finally broke through its previous record high in morning trading after nudging ever closer during the last few days. At midsession the TSE-300 composite index was up 7.91 at 4,120.15, with the financial services sub-index 11.01 higher at 3,061.82.

Among the most active stocks at midsession, Mitel Corp was up 1/4% at C\$85 1/4 and Placer Dome up 1/4% at C\$27 1/4.

EUROPE

Paris opens new account in high spirits

ATTENTION focused even more firmly on today's Bundesbank meeting, writes Our Markets Staff.

PARIS started the new account in high spirits with a 1.7 per cent rise in the CAC-40 index, up 35.91 to 2,159.31.

Turnover remained solid at FF73.9bn. The last trading account had seen very heavy turnover, with a daily average of FF74.3bn, swelling to a record FF11.5bn on July 31, the day after the crisis in the ERM was triggered. During the August account the CAC-40 index gained 6.5 per cent.

Société Générale was one of the most active stocks, assisted by its successful placing of 1.8m shares in Alcatel Cable, which crossed the market in early trading at FF600 a share. The placing was equivalent to about 4 per cent of Alcatel Alsthom's holding in the company, now around 77 per cent.

SocGen closed up FF17 at FF642, Alcatel Alsthom rose FF13 to FF735 and Alcatel Cable lost FF13 to FF596.

Havas, up FF12.40 at FF467.30, attracted attention on reports that it might raise

its stake in Canal Plus, the television group, whose shares advanced FF4 to FF1267, but off the day's high of FF1334. Euro Disney remained in the news with suggestions in the US that a new investor might come forward. The theme park's shares gained FF1.50 to FF57.50.

FRANKFURT firmed as favourable inflation data from two west German states lifted the domestic bond market, and enhanced interest rate hopes. The DAX index rose 20.09 to 1,917.78, as turnover rose from DM6.2bn to DM6.8bn.

Among blue chips, MAN, the truckmaker and engineering group, rose DM10.50 to DM333 after a two-day fall of DM9.50 on poor half-year results earlier this week. Mr Nigel Longley, an institutional adviser with Commerzbank, said that some traders were taking the view that all of the bad news was out of the way.

Daimler gained DM9.30 to DM731.80 on the additional 14,000 job cuts at Mercedes, analysts reworking 1994 earnings forecasts ahead of the 1993 half-year results.

FT-SE Actuaries Share Indices

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Actuaries 100	1365.71	1366.51	1366.82	1367.26	1368.08	1368.97	1369.33	1369.52
FT-SE Actuaries 200	1363.30	1363.98	1364.06	1364.44	1365.02	1365.73	1366.37	1366.62
FT-SE Actuaries 100	1296.82	1297.83	1297.81	1297.31	1304.07	1304.07	1303.09	1303.09
FT-SE Actuaries 200	1375.48	1374.00	1374.00	1380.12	1385.91	1385.91	1387.53	1387.53

Base index 1000 (20/01/89) High/Low 100 - 1211.16 200 - 1288.35 Low/Low 100 - 1285.66 200 - 1382.81

Meanwhile, Commerzbank showed a relative fall, unchanged at DM315.50 following a warning by Moody's late on Tuesday that it was reviewing the large German bank for a possible downgrade on its debt rating.

AMSTERDAM noted some positive rises in most international, helped by Wall Street's record close on Tuesday. The CBS Tendency index put on 1.2 at 129.0.

The publishing sector again featured, with Wolters Kluwer, popular since its good first half profits on Tuesday, adding F1.50 to F100.50, up some 26 per cent this year.

Gist Brocades, the hi-tech-nology group, built on Tues-

day's advance after releasing satisfactory first half figures, the shares rising F1.60 to F149.20. Pakboed, the storage and transport group which is due to release first half figures today, was quoted 90 cents higher at F144.10.

MADRID gained from an extended rally in the bond market, and on interest rate hopes as the general index, 3.97 higher at 297.81, registered its second consecutive high for the year. Turnover shot up from Ptas24.7bn to Ptas24.5bn.

Interest rate-sensitive companies, such as banks and electricity utilities, were among the main winners, Argentina putting on Ptas130 to Ptas5,000 and Endesa Ptas170 to Ptas360.

ZURICH saw foreign buying in blue chips as the SMI index closed 30.0 higher at 2,502.4. Nestlé benefited with a SFr17 rise to SFr11.17.

In banks, SBC rose SFr4 to SFr49; ahead of next week's results, and a higher dollar lent support to pharmaceuticals, where Ciba-Geigy certificates put on SFr9 to SFr707.

MILAN remained fairly strong with foreign activity noted particularly in the banking sector, as well as in some other stocks which have underperformed the market recently. The Comit index finished up 1.57 at 617.55, although more than two hours was lost due to a technical failure in the electronic dealing system.

Among the banks, Mediobanca was one of the day's best performers, putting on L553 or 3 per cent to L17,965.

OSLO featured a 5 per cent gain in shipping stocks as the All-share index rose 10.35 to 568.9. HELSINKI saw an 11.4 per cent drop in the bank shares index, and profit-taking was blamed as the Hex index fell 34.7, or 2.4 per cent to 1,416.0.

ASIA PACIFIC

Trading concentrates on telecoms as Nikkei rises

Tokyo

ARBITRAGE-linked trading dominated activity and share prices followed the futures market, closing higher in this volume, writes Emiko Terazono in Tokyo.

The Nikkei average gained 89.61 at 20,521.45, finishing above the 20,500 level for the first time since August 16. The index fluctuated between 20,542.55 and 20,412.24 on technical trading as most investors remained on the sidelines.

Volume was 200m shares, against 172m on Tuesday, as advances led declines by 553 to 568, with 551 issues unchanged. The Topix index of all first-section stocks rose 6.96 to 1,648.27 and, in London, the ESE Nikkei 50 index firmed 1.91 to 1,251.40. Some investors were wary ahead of the last trading day for August delivery today. Many market participants were also discouraged by the June diffusion index, the leading indicator for the economy, which fell below the critical 50 per cent level for the second consecutive month.

Trading concentrated on telecommunication-related issues following the successful auction on Tuesday for DDI, a new long distance telecom company. The public offer price, the weighted average of the successful auction bids, was fixed at Y3.7m.

Short-term trading of DDI related issues is expected to heighten ahead of DDI's listing on the TSE's second section on September 3. Kyocera, DDI's leading shareholder, moved forward Y20 to Y6180.

Dealers bought Nippon Telegraph and Telephone, which rose Y5,000 to Y938,000, while Fujitsu put on Y11 at Y791. Banks were higher on bargain hunting. The sector had lost ground following the yen's rise, which had depressed

hopes of a cut in the official discount rate. Industrial Bank of Japan advanced Y50 to Y3,390 and Mitsubishi Bank appreciated Y50 to Y2,900.

Housing-related shares were bought on reports that interest rates on housing loans will fall in October following the cuts in short and long-term prime lending rates by commercial banks. Mitsui Fudosan improved Y10 to Y1,320 and Dai-ichi Y30 to Y1,290.

In Osaka, the OSE average ended 71.64 higher at 23,459.27 in volume of 39.1m shares. Nintendo, the video game maker, advanced Y240 to Y10,100.

Roundup

WALL STREET'S overnight gains did relatively little for the Pacific Rim.

AUSTRALIA crept lower, the All Ordinaries index finishing 1.6 off at 1,922.6 as turnover rose from A\$408m to A\$434m.

News Corp slipped 13 cents to A\$9.32 as its 72 per cent jump in net profits was described as below expectations. Caltex Australia, the petroleum refiner and marketer, closed 13 cents ahead at A\$2.59 after its half-year results pleased oil analysts.

NEW ZEALAND saw another big business but the NZSE-40 index subsided by 18.79 to 1,994.09 as investor worries about industrial relations at Telecom, and profit-taking in Brierley, weakened the two key stocks. Telecom receded 9 cents to NZ\$3.97 and Brierley dipped 5 cents to NZ\$1.15. Turnover came to NZ\$68m.

HONG KONG fell on worse than expected profits for airline Cathay Pacific, weakness in property shares, and futures linked trade. The Hang Seng index shed 62.10 to 7,265.58 in its fourth straight decline.

Cathay's 46 per cent drop in first-half profits left it 40 cents

lower at HK\$10. Among properties, Sun Hung Kai Properties lost HK\$3.25 at HK\$36.1 after Tuesday's major bank decision to tighten mortgage lending.

SEOUL's composite index fell a further 9.93 to 705.10, investors staying away as brokers said economic fundamentals were weak. Turnover shrank from Won299bn to Won253bn.

KARACHI finished lower on selling by short-term operators and the absence of institutional buying. The KSE index slid 14.31 to 1,325.35.

SINGAPORE approached its all-time high again, the Straits Times Industrial index ending 21.22 up at 1,976.09. Kay Hian James Capel rose sharply on expectation that the stockbroker will do better in the second half, after a very good set of interim results, as the market's bull run continues, the registered shares added 11 cents at S\$1.61.

KUALA LUMPUR was mixed but property issue Lion Land saw strong afternoon buying on renewed talk of a timber deal. The KLSE composite index edged up 0.25 to 805.72 as Lion climbed 59 cents to M\$4.12 in 18.4m volume on a strong rumour linking it with Sabah Forest.

BANGKOK advanced on late buying of bank and real estate companies, the SET index finishing 8.30 ahead at 952.33 in turnover up from B\$5bn to B\$5.4bn. JAKARTA hit another year's high as the JKSE index rose 4.86 to 388.49 on strength in the banking and manufacturing sectors.

SOUTH AFRICA

THE downward drift in gold shares on the back of a weaker bullion price deepened near the close, but industrials held on to small gains. The golds index lost 32 to 1,756 while industrials rose 7 to 4,624. The overall index shed 6 to 4,045.

Almost a year after winning permission to invest in Indian stock markets, foreign fund managers have started to put serious money into equities.

In the past six weeks, about \$450m in foreign institutional funds has flowed into Indian equities, \$300m of it in the past two weeks. The inflow has triggered the sharpest rally in the market since last year's financial scandal involving banks and brokers brought the 1991-92 bull run to an end.

From the end of July to last weekend, the BSE index rose 27.5 per cent. Earlier this week stock prices began to slip back on profit-taking, and yesterday fell 3 per cent to 2,655 on reports that forward trading in shares might be banned.

However, while the market was one of the world's best emerging market performers last week with a 10 per cent advance in dollar terms, according to data supplied by the IFC, an affiliate of the World Bank, it remains barely changed on the year to date.

Nevertheless, there is no mistaking the change in mood: the financial scandal is now seen as a thing of the past. Furthermore, foreign and domestic investors seem more confident than they were even three months ago about the country's economic outlook.

The turning point was the defeat on July 28 of a no-confidence motion in the government of Mr PV Narasimha Rao, the prime minister, who was under pressure from his political opponents to resign after allegations that he received money from Mr Harshad Mehta, a broker deeply embroiled in last year's scandal. Investors breathed a sigh of relief as the threat to political stability disappeared, at least temporarily.

They also welcomed signs of improved performance in the Indian economy, especially a sharp increase in exports which closed the trade deficit in the first three months of the current financial year (April-June 1993) to just \$30m, down from \$1.6bn a year ago.

The monsoon rains, crucial to India's agrarian-based economy, have also been good

in most parts of the country.

The rise in equities has been accompanied by a five-fold increase in daily turnover in the past month - from Rs800m to Rs4bn (\$25m to \$127m). Brokers say this indicates the rally is broadly based and involves a large number of investors.

Brokers in Bombay suggest that a major reason for the upsurge in foreign inward investment is a growing fear among international investors that the Chinese economy may be overheating. For investors seeking to place funds in a large developing country, India is an alternative to China, they say.

However, Marlin Partners, a Bombay investment company, warns that the rally may not last because further price increases would rapidly trigger a surge in primary issues.


Foreign investors return to Indian equities

R C Murthy in Bombay and Stefan Wagstyl in New Delhi on the market's recent rally

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Aug 20 1993 over week	% Change over week	% Change on Dec '92	Local currency terms Aug 20 1993 over week	% Change over week	% Change on Dec '92
Latin America							
Argentina	(11)	662.75	+8.9	+14.2	406,670.17	+6.9	+14.5
Brazil	(44)	201.61	+12.0	+61.4	23,701,388.57	+19.4	+1038.5
Chile	(20)	429.66	+1.5	+2.7	702.38	+1.7	+8.5
Colombia	(8)	443.11	+3.6	+4.2	632.25	+3.8	+3.4
Mexico	(58)	728.08	+3.1	+7.4	973.67	+3.1	+7.2
Venezuela	(9)	478.58	-4.0	-7.9	1,019.20	-3.3	+9.2
East Asia							
South Korea	(130)	100.02	+8.5	+1.9	106.57	+8.6	+4.7
Philippines	(11)	168.73	+3.0	+28.4	223.10	+1.5	+38.0
Taiwan, China	(78)	84.14	-2.4	+14.0	84.30	-2.3	+20.9
South Asia							
India	(61)	33.61	+10.0	-0.1	103.52	+10.0	+8.4
Indonesia	(31)	86.16	+2.4	+50.2	100.20	+2.4	+52.3
Malaysia	(61)	224.61	+3.3	+37.3	211.58	+3.3	+34.1
Pakistan	(8)	228.51	-0.7	+14.2	308.73	-0.7	+33.2
Thailand	(52)	265.04	-1.2	+15.0	264.85	-1.4	+13.6
Euro/Mid East							
Greece	(17)	247.98	-2.2	+27.0	364.39	-4.1	+38.5
Jordan	(5)	152.20	-3.3	+30.3	217.91	-3.3	+31.4
Portugal	(16)	102.11	+7.8	+32.4	118.17	+7.8	+32.9
Turkey	(31)	135.78	+11.1	+103.1	173.18	+12.3	+175.2

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1992. Not all markets have data for all weeks.



PANIN BANK


July 1993. This announcement appears as a matter of record only.

P.T. PANIN BANK

80,000,000 Shares

International Placement

The undersigned acted as financial advisor to P.T. Panin Bank and sole placement agent in this transaction.



PEREGRINE
P.T. Peregrine Sewu Securities

FT-ACTUARIES WORLD INDICES														
Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries														
NATIONAL AND REGIONAL MARKETS														
TUESDAY AUGUST 24 1993														
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Year Ago (approx)
Australia (69)	144.10	-0.8	142.76	94.48	126.98	143.86	-0.5	3.49	145.31	143.39	94.84	127.57	144.59	117.29
Austria (17)	199.08	+1.0	187.52	110.94	147.82	147.88	+0.8	1.31	187.46	185.24	109.30	147.01	146.57	131.12
Belgium (42)	150.85	+0.2	148.25	98.75	131.70	131.52	-0.4	4.36	150.36	148.37	98.13	131.99	136.76	131.19
Canada (106)	127.96	+0.8	126.78	83.88	111.98	122.22	+0.3	2.76	127.15	125.47	82.98	111.61	121.58	111.41
Denmark (33)	222.01	-0.8	220.01	104.58	194.14	203.18	-1.1	1.09	222.92	220.55	104.86	195.22	210.46	196.11
Finland (23)	114.44	-1.0	113.36	75.02	100.05	139.15	-0.9	0.87	115.58	114.03	75.42	101.44	140.36	65.50
France (87)	163.00	+1.1	161.49	106.64	142.46	149.70	+0.5	3.08	161.27	158.13	105.25	141.56	148.87	142.72
Germany (69)	122.78	+0.8	121.63	80.49	107.33	107.33	+0.4	1.35	121.79	120.77	79.50	108.91	108.91	101.59
Hong Kong (55)	289.32	-1.1	286.63	189.55	252.94	267.82	-1.1	3.40	292.55	286.57	190.23	256.83	291.05	201.61
Ireland (15)	170.01	-1.1	168.43	111.44	148.82	170.38	-1.5	3.27	171.98	169.70	112.24	150.87	173.03	129.28
Italy (70)	164.46	+0.2	163.10	90.35	87.15	91.45	+0.0	1.78	163.83	161.51	90.01	87.27	91.43	84.15
Japan (470)	157.28	-0.6	155.80	103.08	147.48	103.06	-0.1	0.80	158.14	156.05	103.21	138.44	102.51	165.91
Malaysia (19)	381.71	+0.7	378.20	333.68	173.47	173.47	+0.6	1.82	379.23	374.21	247.60	332.80	372.32	381.71
Netherlands (24)	180.18	+1.2	174.72	113.58	137.55	137.55	+1.2	0.23	170.70	171.68	113.54	125.45	159.63	151.30
New Zealand (13)	187.10	+0.9	178.48	110.50	157.50	155.49	+0.5	4.47	178.50	176.16	116.50	158.70	157.08	140.50
Norway (12)	61.78	-1.0	61.21	40.08	54.01	59.37	-1.2	3.78	62.38	61.56	40.72	54.76	61.01	62.98
Sweden (39)	169.71	-0.5	168.14	111.25	148.37	161.89	-0.6	1.57	170.34	168.28	111.30	149.17	168.03	137.71
South Africa (50)	278.18	-0.7	276.73	243.72	261.26	261.26	-0.7	1.82	279.16	276.92	247.19	261.13	260.74	186.18
Spain (16)	198.78	-0.1	196.93	130.30	173.77	202.68	+1.1	2.55	198.63	196.00	129.83	174.36	202.53	144.72
Switzerland (43)	138.30	+2.4	135.04	86.36	119.18	133.90	+1.1	4.08	133.16	131.39	86.91	116.89	137.85	136.30
Taiwan (26)	164.46	-0.6	162.75	120.92	161.26	216.76	+1.1	1.23	165.66	163.20	121.16	162.69	222.15	148.70
United Kingdom (50)	135.01	+0.3	134.81	88.51	118.04	123.75	+0.5	1.75	133.67	131.90	87.25	117.38	123.19	108.91
United Kingdom (216)	186.01	-0.1	184.28	121.92	182.58	184.26	+0.3	3.80	186.16	183.79	121.65	183.49	183.79	180.20
USA (115)	123.20	182.20	184.30	167.09	182.20	184.30	+0.3	1.83	125.83	125.83	167.09	182.20	184.30	175.38
Europe (750)	154.76	+0.4	153.22	101.45	135.30	147.26	+0.3	3.03	154.12	152.10	100.60	136.32	147.26	135.92
Nordic (114)	175.98	-0.7	174.25	115.29	150.76	184.02	-1.0	1.35	177.06	174.73	115.57	155.45	185.45	139.83
Mediterranean (714)	159.01	-0.6	159.59	105.90	143.83	110.26	-0.2	1.02	159.87	156.75	105.75	142.23	110.46	108.80
Europe-Pacific (4434)	153.06	-0.3	156.01	103.81	138.45	125.45	+0.3	1.85	158.67	156.97	103.55	138.28	128.31	162.72
Asia-Pacific (828)	150.38	+0.2	150.22	102.62	138.08	118.40	+0.2	1.82	150.38	148.40	102.62	138.08	118.40	130.97
Europe EC (US\$)	150.38	+0.3	150.80	88.55	108.68	126.45	+0.3	2.51	154.03	152.87	87.50	117.89	128.11	135.92
Pacific Ex. Japan (244)	199.21	-0.7	197.36	130.61	174.27	184.78	-0.6	3.03	200.57	197.81	130.52	176.09	188.89	202.66
Asia-Pacific (US\$)	159.78	-0.1	159.11	102.62	138.08	118.40	+0.2	1.82	159.78	157.80	102.62	138.08	118.40	130.97
World Ex. US (US\$)	165.70	+0.3	164.18	106.82	144.77	162.50	+0.4	2.02	165.21	163.02	107.83	145.04	141.67	177.72
World Ex. So. Af. (C11)	187.40	+0.3	185.84	109.74	145.35	145.77	+0.4	2.18	189.87	186.74	109.88	146.58	146.84	169.59
World Ex. Japan (710)	174.05	+1.4	174.05	114.23	170.93	170.93	+0.6	2.83	178.96	171.55	113.45	152.84	165.84	174.95
The World Index (2171)	187.49	+0.3	186.94	109.80	148.44	148.26	+0.4	2.19	187.07	176.85	108.04	145.67	145.74	169.58
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